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IN THE

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM 19____

No. 351

LOUISIANA PUBLIC SERVICE COMMISSION,
Appellant,

versus

UNITED STATES OF AMERICA and the INTERSTATE COMMERCE COMMISSION,
Appellees.

On Appeal from the United States District Court for the Eastern District of Louisiana.

JURISDICTIONAL STATEMENT.

FRED S. LeBLANC,
Attorney General, State of Louisiana;
JOEL B. DICKINSON,
Assistant Attorney General, State of Louisiana;
ROBERT A. AINSWORTH, JR.,
Attorney for Louisiana Public Service Commission, Appellant;
W. CROSBY PEGUES, JR.,
For the Department of Highways, State of Louisiana, Intervening Plaintiff;
PAUL G. BORRON, JR.,
For American Sugar Cane League of the U.S.A., Inc., Intervening Plaintiff;
LOUIS A. SCHWARTZ,
For New Orleans Traffic and Transportation Bureau and American Turpentine and Tar Company, Intervening Plaintiffs and American Sugar Cane League of the U.S.A., Inc., Intervening Plaintiff.

Robert A. Ainsworth, Jr.,
1650 National Bank of Commerce Building,
New Orleans, Louisiana,
Of counsel for Appellant.

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On Appeal from the United States District Court for the Eastern District of Louisiana.

JURISDICTIONAL STATEMENT.

In compliance with the rules of the Supreme Court of the United States, plaintiff, Louisiana Public Service Commission, and intervening plaintiffs, Department of Highways, State of Louisiana; New Orleans Traffic and Transportation Bureau; American Turpentine and Tar Company; and American Sugar Cane League of the U. S. A., Inc., appellants, submit herewith their statement, particularly disclosing the basis upon which the Supreme Court of the United States has jurisdiction on appeal to review the final judgment of the District Court entered in this cause on July 12, 1954.

STATUTORY PROVISIONS SUSTAINING JURISDICTION.

The jurisdiction of the Supreme Court of the United States to review by direct appeal the judgment and decree complained of is conferred by 28 *U. S. Code Section* 1253 and 2101 (b), relating to direct appeals from decisions of three-judge courts in suits to set aside in whole or in part orders of the Interstate Commerce Commission.

Section 1253, *supra*, reads as follows:

"#1253. *Direct appeals from decisions of three-judge courts.*

Except as otherwise provided by law, any party may appeal to the Supreme Court from an order granting or denying, after notice and hearing, an interlocutory or permanent injunction in any civil action, suit or proceeding required by any Act of Congress to be heard and determined by a district court of three judges. June 25, 1948, c. 646, 62 Stat. 926."

Section 2101 (b), referred to above, reads as follows:

"#2101. *Supreme Court; time for appeal or certiorari docketing; stay.*

"(b) Any other direct appeal to the Supreme Court which is authorized by law, from a decision of a district court in any civil action, suit or proceeding, shall be taken within thirty days from the judgment, order or decree, appealed from, if interlocutory, and within sixty days if final."

Suit was brought in this case under the provisions of *Title 28 U. S. C. A., Sections 1336, 1398, 2284, 2321-25;*

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Title 49 U. S. C. A., Section 17 (9), and *Title* 5 *U. S. C. A., Sections* 1001-1009.

STATUTE INVOLVED.

The Statute involved is the *Interstate Commerce* Act, particularly *Sections* 13 (3) and (4) of *Part I* (49 *U. S. C. A. Section 13 (3) and (4))* which reads as follows:

"*Investigation involving State regulations; conference of State and interstate commissions.*

"(3) Whenever in any investigation under the provisions of this chapter, or in any investigation instituted upon petition of the carrier concerned, which petition is hereby authorized to be filed, there shall be brought in issue any rate, fare, charge, classification, regulation, or practice, made or imposed by authority of any State, the commission, before proceeding to hear and dispose of such issue, shall cause the State or States interested to be notified of the proceeding. The commission may confer with the authorities of any State having regulatory jurisdiction over the class of persons and corporations subject to this chapter or chapter 12 of this title with respect to the relationship between rate structures and practices of carriers subject to the jurisdiction of such State bodies and of the commission; and to that end is authorized and empowered, under rules to be prescribed by it, and which may be modified from time to time, to hold joint hearings with any such State regulating bodies on any matters wherein the commission is empowered to

act and where the rate-making authority of a State is or may be affected by the action taken by the commission. The commission is also authorized to avail itself of the cooperation, services, records, and facilities of such State authorities in the enforcement of any provision of this chapter or chapter 12 of this title.

"Duty of Commission where State regulations result in discrimination.

"(4) Whenever in any such investigation the commission, after full hearing, finds that any such rate, fare, charge, classification, regulation, or practice causes any undue or unreasonable advantage, preference, or prejudice as between persons or localities in intrastate commerce on the one hand and interstate or foreign commerce on the other hand, or any undue, unreasonable, or unjust discrimination against interstate or foreign commerce, which is forbidden and declared to be unlawful, it shall prescribe the rate, fare, or charge, or the maximum or minimum, or maximum and minimum, thereafter to be charged, and the classification, regulation, or practice thereafter to be observed, in such manner as, in its judgment, will remove such advantage, preference, prejudice, or discrimination. Such rates, fares, charges, classifications, regulations, and practices shall be observed while in effect by the carriers parties to such proceeding affected thereby, the law of any State or the decision or order of any State authority to the contrary notwithstanding."

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STATEMENT OF THE CASE.

Plaintiff, Louisiana Public Service Commission, an agency of the State of Louisiana, created by the *Louisiana Constitution of* 1921, *Article VI, Sections* 3-9 inclusive, has all necessary power and authority under said *Constitution* to govern, regulate and control common carrier railroads operating within the State of Louisiana, and to fix reasonable and just single and joint-line rates, fares, tolls and charges for the commodities furnished or services rendered. It brought this action on April 28, 1954 against defendants to enjoin, annul, and set aside the report of the Interstate Commerce Commission dated January 5, 1954 and the order of said Commission dated April 5, 1954, entered by said Commission in Docket No. 31,163, entitled, "*Louisiana Intrastate Freight Rates and Charges.*" By order dated December 4, 1952, the Interstate Commerce Commission, in Docket No. 31,163 aforesaid, entered upon an investigation for the purpose of determining whether the rates and charges of the common carriers by railroad operating in Louisiana, or any of them, for the intrastate transportation of property, made or imposed by authority of the State of Louisiana, cause any undue or unreasonable advantage, preference or prejudice as between persons or localities in intrastate commerce, on the one hand, and interstate or foreign commerce, on the other, or any undue, unreasonable or unjust discrimination against interstate or foreign commerce, and if so, what rates and charges, or what maximum or minimum, or maximum and minimum,

rates and charges shall be prescribed to remove any unlawfulness found to exist. Said petition was filed in accordance with the provisions of *Section* 13 (4) *of Part I of the Interstate Commerce Act.*

The investigation was directed to the difference between freight rates and charges on Louisiana intrastate commerce of certain so-called excepted commodities in carloads, and those established pursuant to authority for increases in freight rates and charges for transportation of property in interstate or foreign commerce granted by the Interstate Commerce Commission in *Increased Freight Rates,* 1948 (frequently referred to as *Ex Parte* 168), 272 *I.C.C.* 695, decided December 29, 1948, and 276 *I.C.C.* 9, decided August 2, 1949, and in *Increased Freight Rates,* 1951 (frequently referred to as *Ex Parte* 175), 280 *I.C.C.* 179, decided March 12, 1951, 281 *I.C.C.* 557, decided August 2, 1951, and 284 *I.C.C.* 589, decided April 11, 1952. In *Ex Parte* 168, increases were granted in interstate freight rates of a total of 8 per cent in southwestern territory, 10 per cent in southern territory, and 9 per cent between those territories, effective on September 1, 1949. In *Ex Parte* 175, increases of 15 per cent generally were authorized on interstate freight rates, effective August 28, 1951. For rate-making purposes, that portion of Louisiana lying east of the Mississippi River is embraced in southern territory, and the portion west of the River is included in southwestern territory.

Following the general freight increases authorized by the Interstate Commerce Commission in *Ex Parte* 168, plaintiff, Louisiana Commission, after due and complete hearing, granted similar increases on intrastate freight rates, exempting certain commodities. A petition was filed by the principal rail carriers in Louisiana under the provisions of *Section* 13 (4) *of Part I of the Interstate Commerce Act* seeking to remove the exemptions in the Louisiana Commission's order; and on February 15, 1952 the Interstate Commerce Commission, in *Louisiana Intrastate Rates and Charges*, 284 *I.C.C.* 467, upheld the Louisiana Commission in part and reversed it in part.

The specific commodities on which the Louisiana Public Service Commission was upheld in the Interstate Commerce Commission proceedings aforesaid are as follows:

Brick, common building or face, and hollow building tile in Louisiana east of the Mississippi River; cattlefeed, consisting of not less than 65% of cottonseed meal and cottonseed hulls or soybean meal, in carloads; cottonseed and cottonseed cake, meal, and hulls in Louisiana east of the Mississippi River; soybeans and soybean cake or meal, in carloads in Louisiana east of the Mississippi River; sand, gravel and related commodities, including asphalt-coated rock and gravel; sugar, raw and refined, and sugarcane.

Following the general freight increases authorized by the Interstate Commerce Commission in *Ex Parte* 175

aforesaid, plaintiff, Louisiana Commission on petition of the principal rail carriers in Louisiana, and after due and complete hearing held before it, granted similar increases in Louisiana intrastate freight rates. However, it exempted certain commodities from said general increase for reasons stated in its orders.

Hearing on the investigation of the Interstate Commerce Commission in Docket No. 31,163 was duly held before Examiner George B. Vandiver at Baton Rouge, Louisiana on February 24, 27, 1953. The Examiner heard the evidence, oral and written, presented by all interested parties, including plaintiff, the rail carriers, and numerous interested shippers whose commodity rates were at issue in said proceedings.

During the hearing, objection was made by plaintiff and other interested parties to the Examiner to consideration of the exempted or excepted commodities of the *Ex Parte* 168 increases heretofore authorized by the Interstate Commerce Commission, on the ground that said Interstate Commerce Commission had already acted upon the matter and had substantially upheld the Louisiana Commission in *Louisiana Intrastate Rates and Charges*, Docket No. 30,783, 284 I.C.C. 457, decided February 15, 1952, less than 10 months prior to the order of the Interstate Commerce Commission of December 4, 1952 entering upon this investigation. The objection was overruled.

On or about July 31, 1953, the report proposed by Examiner Vandiver was duly served on all parties, including plaintiff. The Examiner recommended that the Interstate Commerce Commission find that present Louisiana intrastate rates and charges on the so-called exempted or excepted commodities (except cattlefeed and fertilizer) are abnormally low and traffic thereunder fails to produce its fair share of the earnings required to yield revenue sufficient to enable the rail carriers to provide adequate and efficient rail service, and that said rates cause an undue burden upon interstate commerce and in the future will cause undue, unjust and unreasonable discrimination against interstate commerce.

The Examiner further held that establishing of increases in intrastate rates and charges which he recommended be prescribed will increase the rail carriers' revenues in Louisiana by more than $1,900,000 annually.

Exceptions to the Examiner's report were duly filed within the time prescribed by the rules of the Interstate Commerce Commission by plaintiff and other interested parties. Oral argument was presented and thereafter, on January 5, 1954, the Interstate Commerce Commission issued its report approving the findings of its Trial Examiner *in toto* and adopting the Examiner's proposed report in almost the identical language used by the Examiner. However, Commissioner Freas dissented from the entire report; Commissioner Clark dissented in part,

particularly to the extent that he could not agree that increased rates should be prescribed on sugar and sugarcane, and was joined in this dissent by Commissioners Alldredge and Knudson.

Thereafter, and within the time prescribed by the rules of the Commission, plaintiff and other interested parties filed petitions for rehearing and further hearing, reconsideration, reargument and further oral argument and modification of its findings.

On April 5, 1954, the Interstate Commerce Commission denied said petition for reconsideration, etc. and issued its order requiring plaintiff to cease and desist on May 17, 1954 and thereafter to abstain from practicing the unjust discrimination against interstate commerce and the undue preference and advantages to persons and localities in intrastate commerce, and undue prejudice and disadvantage to persons and localities in interstate commerce found to exist in the Interstate Commerce Commission report of January 5, 1954.

The effect of the Interstate Commerce Commission's report of January 5, 1954 and its order of April 5, 1954, is to cause substantial increases in Louisiana intrastate freight rates on many vital and important commodities, contrary to the express findings of plaintiff Louisiana Commission, as will more fully appear from the list of commodities involved and percentage rate increases shown on Appendix A to the Interstate Commerce Commission report of January 5, 1954.

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As will appear by reference to said Appendix A, the percentage increases prescribed under said report and order on the commodities involved are as follows:

Asphalt	15%
Asphalt-coated rock, sand and gravel	8% plus 15%
Bagasse	15%
Brick, common building or face, hollow building tile (plus 8% if moving east of the Mississippi River)	15%
Cement	15%
Clay and shale cinders	9%
Cottonseed, cottonseed cake, meal and hulls (plus 8% if moving east of the Mississippi River)	15%
Cottonseed bran	8% plus 15%
Molasses	9%
Petroleum products	9%
Sand, gravel and related commodities	8% plus 12%
Soybeans, soybean cake and meal (plus 8% if moving east of the Mississippi River)	15%
Sugar, raw and refined, and sugarcane	8% plus 15%
Sulphur and sulphuric acid	9%
Tarwood or waste wood	15%

Trial on this cause on the record made before the Interstate Commerce Commission (which was offered in evidence at the hearing hereof) was held before the three-judge federal court on June 5, 1954, and after oral argument the matter was submitted and taken under advisement. On July 12, 1954 the Court rendered its opinion, dismissing plaintiff's complaint. Said opinion is unreported; accordingly it is reproduced herein in the appendix.

As stated in the Notice of Appeal, the following questions are presented by this appeal:

1. The District Court did not correctly apply this Court's holdings in *Universal Camera Corp. v. National Labor Relations Board*, 340 U. S. 474, 71 S. Ct. 456, which required the Court below to determine the substantiality of evidence from the whole record, thereby imposing a responsibility on the Court to exercise fully rather than abdicate the function of judicial review of an action of an administrative tribunal such as the Interstate Commerce Commission decision here involved by a consideration of all of the facts and circumstances of record.
2. The District Court's opinion should have held that the Interstate Commerce Commission's findings and subsequent orders (the subject of the instant complaint) were arbitrary, capricious, unreasonable and unsupported by substantial evidence and should be declared null and void. This is apparent from the failure of the District Court to analyze or review the evidence in its opinion, and by its statement that the function of weighing the evidence is "a function which peculiarly addressed itself to the expertise of

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the Commission." For the conclusion seems inescapable that the lower Court failed to consider the record as a whole in determining the substantiality or sufficiency of evidence to justify the Commission decision.

3. The District Court should have reversed the Interstate Commerce Commission decision because under similar and almost identical facts the Commission had denied the petition of the railroads which sought *Ex Parte* 168 increases on the accepted commodities, less than 10 months prior to entering its order of investigation which forms the subject of the present case. (*Louisiana Intrastate Rates and Charges, 284 I. C. C. 467*, decided February 15, 1952).

4. The District Court should have reversed the Interstate Commerce Commission decision wherein it held that present Louisiana Intrastate Rates on the excepted commodities are abnormally low, fail to produce their fair share revenue and cast a burden upon and unjustly discriminate against interstate commerce, because a review of the whole record will not substantiate such findings and because the mere existence of a disparity between interstate and intrastate rates on the excepted commodities does not show discrimination in and of itself.

5. The District Court should have held from a review of the whole record that there was no substantial evidence before the Interstate Commerce Commission proving that the rail carriers in Louisiana are failing to earn a proper return from their intrastate operations in said State; nor was there such a showing that

the revenues derived from Louisiana intrastate operations do not bear their fair share of the revenue required to enable the rail carriers to render adequate and efficient rail service. No attempt was made to prove the amount of revenue needed by the rail carriers to maintain efficient operations and an adequate transportation system.

6. The District Court should have reversed the Interstate Commerce Commission decision which held that the increase prescribed in this case in the Louisiana intrastate rates on the excepted commodities will result in substantial increases in revenue to the rail carriers. On the contrary, the record shows the opposite, namely that the rail carriers would suffer a loss in revenue because there will be a substantial diversion of traffic to competing modes of transportation, namely motor carrier and water. Diversion to motor carriers will increase the use of the state highways and add to the traffic hazards of persons traversing said highways.

7. The District Court should have reversed the Interstate Commerce Commission decision on a consideration of the whole record, for the evidence showed that the excepted commodities could not bear any additional burden or increase in cost of transportation, and that there will be a substantial diversion of traffic from the rail carriers.

8. The District Court should have given notice to all of the erroneous findings of the Interstate Commerce Commission complained of by petitioners in its complaint and herein set forth. It should have required a

high standard of certainty and the right of the Interstate Commerce Commission to interfere with the intrastate jurisdiction of a state agency, the Louisiana Public Service Commission, should have clearly appeared. Thus the lower Court failed to give effect to this Court's findings in *King v. U. S.*, *344 U. S.* 254, and *North Carolina v. U. S.*, 325 U. S. 507. The overwhelming preponderance of evidence taken before the Interstate Commerce Commission conclusively shows that the rail carriers will sustain a loss in revenues by virtue of the higher rate scale on the excepted commodities and there will be a diversion of traffic to other modes of transportation. The record does not show a justification for the interference with and usurpation of the jurisdiction of the Louisiana Public Service Commission to regulate and determine Louisiana intrastate freight rates.

THE QUESTIONS PRESENTED ARE SUBSTANTIAL.

The questions presented by this appeal are substantial. According to the Interstate Commerce Commission trial examiner, an increase in Louisiana intrastate rates on the excepted commodities of $1,900,000 per annum will result. The Commission found in affirming its trial examiner's report that the increase would amount to $1,700,000 per annum. Further, the case involves the fundamental question of the right of the Interstate Commerce Commission to take over the jurisdiction to fix freight rates on Louisiana intrastate traffic, which right belongs to the Louisiana Public Service Commission, the

proper state constitutional authority, unless that right has been unlawfully exercised to the prejudice of interstate traffic, as provided for by Section 13 (4), Part I of the *Interstate Commerce Act.*

Jurisdiction of this court to consider the present appeal is conferred as a matter of right under the statutes heretofore cited. There are nevertheless strong and important substantial issues involved and presented in this case.

The failure of the court to apply correctly the principle of law handed down by this court in *Universal Camera Corporation v. National Labor Relations Board*, 340 U. S. 474, 71 S. Ct. 456, is involved. The District Court in following that principle of law would not have abdicated the judicial function in reviewing the decision of an administrative tribunal such as the Interstate Commerce Commission, for it has been held by this court that a review of the record as a whole must be made herein.

Universal Camera Corp., supra, is a modification of the right of judicial review of administrative decisions. It cannot be read in any other light.

The test under the Administrative Procedure Act (5 U. S. C. A., Section 1009) is that the Court must review the *whole record* and not view it in isolation or one-sidedly in order to ascertain if there is substantial evidence to support the conclusion of the Board or Commission.

The Court said further (p. 464):

"From the legislative story we have summarized, two concrete conclusions do emerge. One is the identity of aim of the Administrative Procedure Act and the Taft-Hartley Act regarding the proof with which the Labor Board must support a decision. The other is that now Congress has left no room for doubt as to the kind of scrutiny which a court of appeals must give the record before the Board to satisfy itself that the Board's order rests on adequate proof."

* * * * * * * *

"Whether or not it was ever permissible for courts to determine the substantiality of evidence supporting a Labor Board decision merely on the basis of evidence which in and of itself justified it, without taking into account contradictory evidence or evidence from which conflicting inferences could be drawn, the new legislation definitely precludes such a theory of review and bars its practice. The substantiality of evidence must take into account whatever in the record fairly detracts from its weight. This is clearly the significance of the requirement in both statutes that courts consider the whole record. Committee reports and the adoption in the Administrative Procedure Act of the minority views of the Attorney General's Committee demonstrates that to enjoin such a duty on the reviewing

court was one of the important purposes of the movement which eventuated in that enactment." Reading again from the cited case, the Court said, (p. 465): "*Congress has merely made it clear that a reviewing court is not barred from setting aside a Board decision when it cannot conscientiously find that the evidence supporting that decision is substantial, when viewed in the light that the record in its entirety furnishes, including the body of evidence opposed to the Board's view.*" (Emphasis ours).

"A formula for judicial review of administrative action may afford grounds for certitude but cannot assure certainty of application. Some scope for judicial discretion in applying the formula can be avoided only by falsifying the actual process of judging or by using the formula as an instrument of futile casuistry."

* * * * * * * *

"Since the precise way in which courts interfere with agency findings cannot be imprisoned within any form of words, new formulas attempting to rephrase the old are not likely to be more helpful than the old. There are no talismanic words that can avoid the process of judgment. The difficulty is that we cannot escape, in relation to this problem, the use of undefined defining terms."

* * * * * * * *

"But a standard leaving an unavoidable margin for individual judgment does not leave the judicial judgment at large even though the phrasing of the standard does not wholly fence it in. The legislative history of these Acts demonstrates a purpose to impose on courts a responsibility which has not always been recognized." (Emphasis ours).

On page 466 of the Reporter, the Court concludes with the following important language:

"We conclude, therefore, that the Administrative Procedure Act and the Taft-Hartley Act direct that courts must now assume more responsibility for the reasonableness and fairness of Labor Board decisions than some courts have shown in the past. Reviewing courts must be influenced by a feeling that they are not to abdicate the conventional judicial function. Congress has imposed on them responsibility for assuring that the Board keeps within reasonable grounds. That responsibility is not less real because it is limited to enforcing the requirement that evidence appear substantial when viewed, on the record as a whole, by courts invested with the authority and enjoying the prestige of the Courts of Appeals. The Board's findings are entitled to respect; but they must nonetheless be set aside when the record before a Court of Appeals clearly precludes the Board's decision from being justified by a fair estimate of the worth of the testimony of witnesses or its informed judgment on matters within its special competence or both." (Emphasis ours).

The District Court likewise misapplied this court's findings in *King v. United States*, 344 U. S. 254, and failed to give effect to *North Carolina v. United States*, 325 U.S. 507, 65 S. Ct. 1260.

The substantial nature of the issue involved is likewise apparent from the fact that by virtue of the Interstate Commerce Commission decision and order complained of the Louisiana Public Service Commission is now deprived of its constitutional jurisdiction to regulate Louisiana intrastate rates on the involved commodities. A chaotic condition only can result where the shippers of Louisiana must now apply to the Interstate Commerce Commission at Washington when relief of any kind is sought relative to the excepted commodities.

It is not enough for the District Court below to say that the function of weighing the evidence is "a function which peculiarly addressed itself to the expertise of the Commission." By so stating and by its decision herein we can only conclude that the court failed to consider the record as a whole in determining whether the evidence was sufficiently substantial to justify the Commission's decision.

For the foregoing reasons it is submitted that this court should note jurisdiction *and set this matter down for oral argument with briefs on the merits*, for plaintiff and intervening plaintiffs have a direct right of appeal under the statute and the questions presented are substantial.

The judgment of the lower court should be reversed and judgment entered for plaintiff and intervening plaintiffs as prayed for.

Respectfully submitted,

FRED S. LeBLANC,
Attorney General, State of Louisiana;

JOEL B. DICKINSON,
Assistant Attorney General,
State of Louisiana;

ROBERT A. AINSWORTH, JR.,
Attorney for Louisiana Public Service Commission, Appellant;

W. CROSBY PEGUES, JR.,
For the Department of Highways, State of Louisiana, Intervening Plaintiff;

PAUL G. BORRON, JR.,
For American Sugar Cane League of the U.S.A., Inc., Intervening Plaintiff;

LOUIS A. SCHWARTZ,
For New Orleans Traffic and Transportation Bureau and American Turpentine and Tar Company, Intervening Plaintiffs and American Sugar Cane League of the U.S.A., Inc., Intervening Plaintiff.

By:.....
ROBERT A. AINSWORTH, JR.,
1650 National Bank of Commerce Bldg.,
New Orleans, Louisiana,
Attorney.

CERTIFICATE OF SERVICE.

I hereby certify that a copy hereof has been duly served on all parties of record in the manner and form required by the rules of this court.

ROBERT A. AINSWORTH, JR.

THE OPINION AND DECREE OF THE COURT BELOW.

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF LOUISIANA
BATON ROUGE DIVISION

LOUISIANA PUBLIC SERVICE COMMISSION
– Plaintiff

Vs.

UNITED STATES OF AMERICA, and the INTERSTATE COMMERCE COMMISSION,
– Defendants

U. S. District Court
Eastern District
of Louisiana

FILED JUL 14 1954

Dep. Clerk

CIVIL ACTION
No. 1355

CHRISTENBERRY, J.

This is an action brought by the Lousiana Public Service Commission against the United States of America, and the Interstate Commerce Commission, under Sections 1336, 2284 and 2321-2325, Title 28, U.S.C.A., to annul, set aside and permanently enjoin enforcement of an order of the Interstate Commerce Commission, hereinafter referred to as the "Commission". The order in question was entered by the Commission on April 5, 1954, and was bottomed upon a report of January 5, 1954, in proceeding *No. 31,163*, entitled *Louisiana Intrastate Freight Rates and Charges*, under which the respondent rail carriers operating in Louisiana were required to establish intrastate freight rates and charges in Louisiana no lower than the rates and charges prescribed and provided for in said report.

The American Sugar Cane League of the United States of America, Inc., New Orleans Traffic and Transportation Bureau, the Department of Highways of the State of Louisiana, and the American Turpentine and Tar Company intervened as parties plaintiff. All Class 1 railroads operating in Louisiana intervened as parties defendant. Answers were filed by the United States, by the Commission, and by the intervening railroads. Issue having been joined, the cause came on for hearing on motion of plaintiffs for a preliminary injunction and on the merits.

The jurisdiction of this Court is admitted.

The facts which give rise to the present controversy are these:

On October 20, 1952, twenty railroads operating in Louisiana instituted proceedings before the Commission, seeking an order, after investigation, authorizing an increase of intrastate freight rates in Louisiana, to the same extent and in the same manner as authorized by the Commission with respect to interstate rates and charges, in *Ex Parte No. 168, Increased Freight Rates, 1948*, 276 I.C.C. 9, and *Ex Parte No. 175, Increased Freight Rates, 1951*, 284 I.C.C. 589. Previously thereto, general increase of freight rates had been authorized by the Commission in *Ex Parte No. 162* and in *Ex Parte No. 166*. Prior to instituting proceedings before the Commission, the railroads had filed petitions with the Louisiana Commission, seeking approval of the increased rates. The Louisiana Commission allowed the increases sought, except on certain commodities, which commodities hereinafter will be referred to as "exempted commodities."

On December 4, 1952, in response to the petition filed by the railroads, Division 1 of the Commission ordered an investigation under Section 13 of the Interstate Commerce Act, 49 U.S.C.A., 13, of the lawfulness of the carload Louisiana intrastate rates on the exempted commodities, and on February 24, through February 27, 1953, hearings were held before an Examiner of the Commission. After the hearing a report of the Examiner was filed and served. The proposed report found that the intrastate rates imposed by the Louisiana Commission on the exempted commodities, listed in Appendix A to the proposed report, except cottonseed meal, cottonseed hulls, and soya bean meal and fertilizer were abnormally low; that traffic thereunder fails to produce its fair share of revenue to enable the railroad respondents to provide adequate and efficient service, and that such rates cause undue, unreasonable and unjust discrimination against interstate commerce. Exceptions to the proposed report were filed, and oral argument was had before the Commission.

On January 5, 1954, the Commission issued its report, *291 I.C.C. 279*. Ultimate findings and conclusions of the Commission are set forth in the report, and are virtually the same as those proposed by the Examiner. The report provided that an order would be issued, making the findings effective unless notified by the Louisiana Commission within 30 days after service that it would promptly authorize the approved increases. This time was subsequently extended to March 1, 1954. Plaintiff and others thereupon filed petitions with the Commission for reconsideration, modification of the report, and further hearing, which were denied by the Commission order of

April 5, 1954, under the terms of which the respondent railroads were ordered to establish the intrastate rates prescribed for the commodities named in the report, on May 17, 1954, effective upon five days' notice.

The issue to be determined here relates to the validity of the order of the Commission requiring the rail carriers to increase their Louisiana intrastate rates and charges as prescribed in the report of January 5, 1954.

Section 13(4) of the Interstate Commerce Act (49 U.S.C.A. § 13(4), prohibits, with respect to intrastate and interstate rail rates, preference and prejudice with respect to persons and localities, and discrimination against interstate commerce. In its report of January 5, 1954, the Commission found that the intrastate rates in question constituted discrimination against interstate commerce, and that intrastate carload rates on sand, gravel and sugar constitute undue and unreasonable advantage and preference to intrastate shippers, and subject interstate shippers of the same commodities to undue and unreasonable prejudice and disadvantage.

The complaint alleges illegality of the final report and order of the Commission on the grounds that they were not justified as against Louisiana intrastate rates, in that the Commission was acting beyond the scope of statutory authority; that the findings were unsupported by substantial evidence or contrary to evidence; and that such action was arbitrary.

At the outset, it is proper to consider the scope of this Court's authority to review the orders of the Commis-

sion. We take it to be settled law that an order of the Commission is entitled to finality, and may not be set aside, modified or disturbed on judicial review, if such order of the Commission lies within the scope of the Interstate Commerce Statute, and is based upon adequate findings that are supported by substantial evidence.

In the case of *Interstate Commerce Commission v. Union Pacific R. Co.*, 222 U.S. 541, 32 S. Ct. 108, in discussing the limitation upon the right of courts to review orders of the Commission, the Court said:

> "In determining these mixed questions of law and fact, the court confines itself to the ultimate question as to whether the Commission acted within its power. It will not consider the expediency or wisdom of the order, or whether, on like testimony, it would have made a similar ruling. 'The findings of the Commission are made by law prima facie true, and this court has ascribed to them the strength due to the judgments of a tribunal appointed by law and informed by experience.' Ill. Cent. v. I.C.C., 206 U.S. 441. Its conclusion, of course, is subject to review, but when supported by evidence is accepted as final; not that its decision, involving as it does so many and such vast public interests, can be supported by a mere scintilla of proof—but the courts will not examine the facts further than to determine whether there was substantial evidence to sustain the order."

In *Mississippi Valley Barge Co. v. U.S., et al*, 292 U.S. 282, 54 S. Ct. 692, 695, the Court said:

> "The structure of a rate schedule calls in peculiar measure for the use of that enlightened judgment which the Commission by training and experience is qualified to form. Fla. v. U.S., 292 U.S. 1, 54 S. Ct. 603. It is not the province of a Court to absorb this function to itself. (Cases cited). The judicial function is exhausted when there is found to be a rational basis for the conclusions approved by the administrative body."

Sections 13(3) and (4) of the Interstate Commerce Act provide for complaints of rail carriers to the Commission if intrastate rates result in preference for those rates and prejudice and discrimination against interstate commerce, and against persons and localities engaged in that commerce. The Statute authorizes the Commission to hear, consider and decide such complaints, and where found by it to be necessary to prescribe such rates and make such classifications and regulations as will remove and end such preference, prejudice and discrimination. There can be no question but that the Commission had the statutory authority to make the order here complained of. This being so, the only issue remaining for decision is whether the Commission's order has a rational basis in adequate findings, which in turn are supported by substantial evidence.

We think it plain that the findings made by the Commission in support of its conclusion are entirely adequate. The findings in the instant case are very similar to those made by the Commission in *King v. U.S.*, 344 U.S. 254. In that case the Florida Railroad and Public Utilities Commission, and others, sought to set aside and annul an order of the Commission requiring Florida railroads to

establish intrastate freight rates reflecting increases authorized by the Commission for comparable interstate traffic. In contending that the findings made by the Commission in the instant case are inadequate, the plaintiffs rely in large measure upon the case of *North Carolina v. U.S.*, 325 U.S. 507, 65 S. Ct. 1260. In that case, the Court held that mere disparity between rates for comparable intrastate and interstate service was not sufficient per se to establish the requisite unjust discrimination. Because the Court found that the Commission had failed to make any findings that the intrastate rate did not contribute its fair share of earnings to enable the railroads to operate profitably and efficiently, it set aside the Commission's order. However, in *King v. U.S.*, supra, the Court found that the Commission had made the findings which the Court held to be requisite but absent in the *North Carolina Case*. The findings which the Court found adequate in the *King Case* were made by the Commission in the instant case, so that the holding in the *North Carolina Case* is not applicable here.

This brings us to the question of whether the Commission's findings are supported by substantial evidence. In making such determination, the record must be considered as a whole. *Universal Camera Corp. v. National Labor Relations Board*, 340 U.S. 474, 71 S. Ct. 456.

We have considered the entire record, which comprises nearly one thousand pages of testimony and a great number of exhibits. In the belief that no useful purpose would be served by our reviewing the record here we shall not do so. It is sufficient to say that the Commission had before it a large volume of substantial evidence adduced

by both sides of the controversy. In reaching its conclusions it was necessary for the Commission to weigh the evidence. That was a function which peculiarly addressed itself to the expertise of the Commission.

We hold that the order complained of has a rational basis in adequate findings, which are supported by substantial evidence.

The complaint is, accordingly, dismissed at plaintiffs' cost.

New Orleans, Louisiana, July 9th, 1954.

United States Circuit Judge.

United States District Judge.

United States District Judge.

UNITED STATES DISTRICT COURT
EASTERN DISTRICT OF LOUISIANA
BATON ROUGE DIVISION

LOUISIANA PUBLIC SERVICE COMMISSION
versus
UNITED STATES OF AMERICA, ET AL

U. S. District Court
Eastern District of Louisiana
FILED JUL 14 1954
Dep. Clerk

No. 1355 C.A.
B.R.D.

DECREE

This matter came on for hearing on June 5, 1954, on application for preliminary injunction and on the merits and after hearing evidence and argument of counsel the matter was submitted and the Court took time to consider.

Now, therefore, after due consideration and for the written reasons of the Court on file herein and in accordance therewith;

IT IS ORDERED, ADJUDGED AND DECREED that there be judgment in favor of defendant and intervening defendants, dismissing the suit of plaintiffs and intervening plaintiffs at their costs.

New Orleans, Louisiana, July 12th, 1954.

United States Circuit Judge

United States District Judge

United States District Judge.

LE COPY

Office - Supreme Court, U. S.
SEP 22 1954
HAROLD B. WILLEY, Clerk

IN THE

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM 19 54

No. 351

LOUISIANA PUBLIC SERVICE COMMISSION,
Appellant,

versus

UNITED STATES OF AMERICA and the
INTERSTATE COMMERCE COMMISSION,
Appellees.

On Appeal from the United States District Court for the Eastern District of Louisiana.

AMENDMENT TO JURISDICTIONAL STATEMENT.

FRED S. LeBLANC,
Attorney General, State of Louisiana;
JOEL B. DICKINSON,
Assistant Attorney General,
State of Louisiana;
ROBERT A. AINSWORTH, JR.,
Attorney for Louisiana Public Service Commission, Appellant;
W. CROSBY PEGUES, JR.,
For the Department of Highways, State of Louisiana, Intervening Plaintiff;
PAUL G. BORRON, JR.,
For American Sugar Cane League of the U.S.A., Inc., Intervening Plaintiff;
LOUIS A. SCHWARTZ,
For New Orleans Traffic and Transportation Bureau and American Turpentine and Tar Company, Intervening Plaintiffs and American Sugar Cane League of the U.S.A., Inc., Intervening Plaintiff.

Robert A. Ainsworth, Jr.,
1650 National Bank of Commerce Building,
New Orleans, Louisiana,
Of counsel for Appellant.

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IN THE

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versus

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Appellees.

On Appeal from the United States District Court for the Eastern District of Louisiana.

AMENDMENT TO JURISDICTIONAL STATEMENT.

Appellant has filed its jurisdictional statement in this matter but desires to amend and add to same as follows:

OPINION BELOW.

The opinion below is set forth in full in the appendix to the jurisdictional statement heretofore filed. It is an unreported opinion of the United States District Court for the Eastern District of Louisiana, having been rendered by a three-judge statutory court on July 12, 1954. The Interstate Commerce Commission decision will be found as an original exhibit in the transcript of appeal.

The Notice of Appeal in this case was filed on August 11, 1954 with the Clerk, United States District Court for the Eastern District of Louisiana, as will appear from the transcript of appeal on file with this court.

QUESTIONS PRESENTED BY THIS APPEAL.

The questions presented by this appeal begin on page 12 of the jurisdictional statement. Through inadvertence, one of the points which appellant desires to present in this appeal was omitted, although contained in the Notice of Appeal.

Appellant, therefore, restates herewith all of the questions, including the one inadvertently omitted. They should be considered in proper order immediately after the heading referring to jurisdiction, entitled "Statutory Provisions Sustaining Jurisdiction". Said questions are as follows:

1. The District Court did not correctly apply this Court's holdings in *Universal Camera Corp. v. National Labor Relations Board*, 340 U. S. 474, 71 S. Ct. 456, which required the Court below to determine the substantiality of evidence from the whole record, thereby imposing a responsibility on the Court to exercise fully rather than abdicate the function of judicial review of an action of an administrative tribunal, such as the Interstate Commerce Commission decision here involved, by a consideration of all of the facts and circumstances of record.

2. The District Court's opinion should have held that the Interstate Commerce Commission's report and subsequent orders (the subject of the instant complaint) were arbitrary, capricious, unreasonable and unsupported by substantial evidence and should be declared null and void. This is apparent from the

failure of the District Court to analyze or review the evidence in its opinion, and by its statement that the function of weighing the evidence is "a function which peculiarly addresses itself to the expertise of the Commission." For the conclusion seems inescapable that the lower Court failed to consider the record as a whole in determining the substantiality or sufficiency of evidence to justify the Commission decision.

3. The District Court should have reversed the Interstate Commerce Commission report and order because under similar and almost identical facts the Commission had denied the petition of the railroads which sought *Ex Parte* 168 increases on the excepted commodities, less than 10 months prior to entering its order of investigation which forms the subject of the present case. (*Louisiana Intrastate Rates and Charges, 284 I. C. C. 467*, decided February 15, 1952).

4. The District Court should have reversed the Interstate Commerce Commission report wherein it held that present Louisiana Intrastate rates on the excepted commodities are abnormally low, fail to produce their fair share of revenue and cast a burden upon and unjustly discriminate against interstate commerce, because a review of the whole record will not substantiate such findings and because the mere existence of a disparity between interstate and intrastate rates on the excepted commodities does not show discrimination in and of itself.

5. The District Court should have held from a review of the whole record that there was no substantial evi-

dence before the Interstate Commerce Commission proving that the rail carriers in Louisiana are failing to earn a proper return from their intrastate operations in said State; nor was there such a showing that the revenues derived from Louisiana intrastate operations do not bear their fair share of the revenue required to enable the rail carriers to render adequate and efficient rail service.

6. The District Court should have reversed the Interstate Commerce Commission's report and order wherein it held that the Louisiana intrastate carload commodity rates on sand and gravel and on sugar give undue and unreasonable advantage and preference to intrastate shippers and subject interstate shippers of the same commodities to undue and unreasonable prejudice and disadvantage.

7. The District Court should have reversed the Interstate Commerce Commission report and order which held that the increase prescribed in this case in the Louisiana intrastate rates on the excepted commodities will result in substantial increases in revenue to the rail carriers. On the contrary, the record shows the opposite, namely that the rail carriers would suffer a loss in revenue because there will be a substantial diversion of traffic to competing modes of transportation, namely motor carrier and water. Diversion to motor carriers will increase the use of the state highways and add to the traffic hazards of persons traversing said highways.

8. The District Court should have reversed the Interstate Commerce Commission report and order on a

consideration of the whole record, for the evidence showed that the excepted commodities could not bear any additional burden or increase in cost of transportation, and that there will be a substantial diversion of traffic from the rail carriers.

9. The District Court should have given notice to all of the erroneous findings of the Interstate Commerce Commission complained of by petitioners in its complaint and herein set forth. It should have required a high standard of certainty and the right of the Interstate Commerce Commission to interfere with the intrastate jurisdiction of a state agency, the Louisiana Public Service Commission, should have clearly appeared. Thus the lower Court failed to give effect to this Court's findings in *King v. U. S.*, 344 U. S. 254, and *North Carolina v. U. S.*, 325 U. S. 507. The overwhelming preponderance of evidence taken before the Interstate Commerce Commission conclusively shows that the rail carriers will sustain a loss in revenues by virtue of the higher rate scale on the excepted commodities and there will be a diversion of traffic to other modes of transportation. The record does not show a justification for the interference with and usurpation of the jurisdiction of the Louisiana Public Service Commission to regulate and determine Louisiana intrastate freight rates.

Appellant reiterates and reaffirms the allegations and statements in its jurisdictional statement and requests that this amendment to its jurisdictional statement be filed and considered, and in due course the judgment of

the lower court be reversed and judgment entered for plaintiff and intervening plaintiffs as prayed for.

Respectfully submitted,

FRED S. LeBLANC,
Attorney General, State of Louisiana;
JOEL B. DICKINSON,
Assistant Attorney General,
State of Louisiana;
ROBERT A. AINSWORTH, JR.,
Attorney for Louisiana Public Service Commission, Appellant;
W. CROSBY PEGUES, JR.,
For the Department of Highways, State of Louisiana, Intervening Plaintiff;
PAUL G. BORRON, JR.,
For American Sugar Cane League of the U.S.A., Inc., Intervening Plaintiff;
LOUIS A. SCHWARTZ,
For New Orleans Traffic and Transportation Bureau and American Turpentine and Tar Company, Intervening Plaintiffs and American Sugar Cane League of the U.S.A., Inc., Intervening Plaintiff.

By: .....
ROBERT A. AINSWORTH, JR.,
1650 National Bank of Commerce Bldg.,
New Orleans, Louisiana,
Attorney.

CERTIFICATE OF SERVICE.

I hereby certify that a copy hereof has been duly served on all parties of record in the manner and form required by the rules of this court.

Robert A. Ainsworth, Jr.

COPY

FILED
NOV 4 1954
HAROLD B. WILLEY, Clerk

IN THE

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1954

No. 351

LOUISIANA PUBLIC SERVICE COMMISSION,
Appellant,

versus

UNITED STATES OF AMERICA and the INTERSTATE COMMERCE COMMISSION,
Appellees.

On Appeal from the United States District Court for the Eastern District of Louisiana.

REPLY TO MOTIONS TO AFFIRM.

FRED S. LeBLANC,
Attorney General, State of Louisiana;
JOEL B. DICKINSON,
Assistant Attorney General,
State of Louisiana;
ROBERT A. AINSWORTH, JR.,
Attorney for Louisiana Public Service Commission, Appellant;
W. CROSBY PEGUES, JR.,
For the Department of Highways, State of Louisiana, Intervening Plaintiff;
PAUL G. BORRON, JR.,
For American Sugar Cane League of the U. S. A., Inc., Intervening Plaintiff;
LOUIS A. SCHWARTZ,
For New Orleans Traffic and Transportation Bureau and American Turpentine and Tar Company, Intervening Plaintiffs, and American Sugar Cane League of the U. S. A., Inc., Intervening Plaintiff.

ROBERT A. AINSWORTH, JR.,
1650 National Bank of Commerce Building,
New Orleans, Louisiana,
Of Counsel for Appellant.

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IN THE

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Appellees.

On Appeal from the United States District Court for the Eastern District of Louisiana.

REPLY TO MOTIONS TO AFFIRM.

Appellants, Louisiana Public Service Commission; Department of Highways, State of Louisiana; New Orleans Traffic and Transportation Bureau; American Turpentine and Tar Company, and American Sugar Cane League of the U. S. A., Inc., pursuant to Rule 16 (3) of the Revised Rules of this Court, herewith reply to the motions to affirm of intervening defendants and appellees, the named railroad companies, and the United States of

America and the Interstate Commerce Commission, and aver that said motions should be overruled and the case be permitted to go to oral argument before the entire Court.

STATEMENT.

The notice of appeal and jurisdictional statement, as amended, contain an outline of points and issues raised by appellants in the lower court. Jurisdiction of this court to review the judgment and decree complained of is conferred by statutory provisions.(1)

Suit was brought in this case under the provisions of *Title 28, U. S. C. A., Sections 1336, 1398, 2284, 2321-25; Title 49, U. S. C. A., Sections 17 (9)*, and *Title 5, U. S. C. A., Sections 1001-1009.*

The motion to affirm is filed under the provisions of Rule 16, Paragraph 1 (c) of the Revised Rules of this court, which provide only for a case where "it is manifest that the questions on which the decision of the cause depends are so unsubstantial as not to need further argument".

FACTS OF THE CASE.

Plaintiff, Louisiana Public Service Commission, an agency of the State of Louisiana,(2) brought this action

(1) 28 U. S. C. A. Sections 1253 and 2101 (b).

(2) Louisiana Constitution of 1921, Article VI, Sections 3-9, inclusive, providing that all necessary power and authority is reposed in said Commission to govern, regulate and control common carrier railroads operating within the State of Louisiana and to fix reasonable and just rates and charges for the commodities furnished or services rendered.

on April 28, 1954 against defendants to enjoin, annul and set aside the report of the Interstate Commerce Commission dated January 5, 1954 and the order of said Commission dated April 5, 1954 in Docket No. 31,163 entitled, **"Louisiana Intrastate Freight Rates and Charges"**. The Department of Highways, State of Louisiana; New Orleans Traffic and Transportation Bureau; American Turpentine and Tar Company and American Sugar Cane League of the U. S. A., Inc. intervened as plaintiffs in support of the complaint.

The Interstate Commerce Commission, in Docket No. 31,163, by its order dated December 4, 1952, entered upon an investigation[3] to determine whether intrastate rates and charges of rail common carriers operating in Louisiana cause any undue or unreasonable advantage or preference between persons or localities in intrastate commerce and in interstate commerce or any undue or unreasonable discrimination against interstate commerce, and if so what the rates and charges should be to remove the unlawfulness.

PRIOR HISTORY OF THE CASE.

The Interstate Commerce Commission in its so-called *Ex Parte* 168[4] and *Ex Parte* 175[5] granted certain percentage increases in interstate freight rates in the nation generally.

---

(3) Pursuant to the Interstate Commerce Act, particularly Sections 13 (3) and (4) of Part I (Title 49 U. S. C. A., Section 13 (3) and (4)).

(4) 272 I. C. C. 695, decided December 29, 1948, and 276 I. C. C. 9, decided August 2, 1949.

(5) 280 I. C. C. 179, decided March 12, 1951, 281 I. C. C. 557, decided August 2, 1951, and 284 I. C. C. 589, decided April 11, 1952.

Following the general freight increases in *Ex Parte* 168, the Louisiana Public Service Commission, after a full hearing **before the members of the Commission themselves,** authorized comparable increases of 8% in intrastate freight rates in Louisiana exempting, however, certain commodities from the increases. The principal rail carriers in Louisiana (the same as filed the motion to affirm) filed a petition with the Interstate Commerce Commission under the provisions of Section 13 (4) of Part I of the Interstate Commerce Act, seeking to remove the exemptions in the Louisiana Commission's order. On February 15, 1952 the Interstate Commerce Commission, 284 I.C.C. 467, handed down its decision upholding the Louisiana Commission as to most of the commodities involved including the principal commodities involved in the present case.[6]

Following the general freight increases authorized by the Interstate Commerce Commission in *Ex Parte* 175, the Louisiana Public Service Commission, after full hearing **before the members of the Commission themselves,** granted the petition of the principal rail carriers in Louisiana and authorized comparable increases of 15% in Louisiana intrastate freight rates but exempted certain commodities from its order, including most of the same commodities which were exempted in the prior proceeding.

---

(6) 284 I. C. C. 467. Commodities on which the Louisiana Public Service Commission was upheld included: Brick, common building or face, and hollow building tile in Louisiana east of the Mississippi River; cattle-feed, consisting of not less than 65% of cottonseed meal and cottonseed hulls or soybean meal, in carloads; cottonseed and cottonseed cake, meal, and hulls in Louisiana east of the Mississippi River; soybeans and soybean cake or meal, in carloads in Louisiana east of the Mississippi River; sand, gravel and related commodities, including asphalt-coated rock and gravel; sugar, raw and refined, and sugarcane.

Then followed another petition by the principal rail carriers in Louisiana to the Interstate Commerce Commission under the provisions of Section 13 (4) of Part I of the Interstate Commerce Act seeking to remove the exemptions which were granted by the Louisiana Commission in both proceedings and which resulted in the Interstate Commerce Commission's order of December 4, 1952 in Docket No. 31,163 entering upon this investigation.

The Interstate Commerce Commission sent **its Examiner** Vandiver to Baton Rouge, Louisiana for the hearing on February 24-27, 1953, and he sustained practically *in toto* the petition of the rail carriers, despite strenuous objection by the Louisiana Commission and other interested parties and shippers.

The Examiner held that establishing the increases on intrastate freight rates, which he recommended, would increase the rail carriers' revenues by more than $1,900,000 annually.

Exceptions to the Examiner's report were filed, and on January 5, 1954 the Interstate Commerce Commission approved the findings of Examiner Vandiver in full and substantially adopted practically the identical language of his report as its own.

Thus, although the Interstate Commerce Commission had previously upheld the Louisiana Commission with respect to the exemptions granted these commodities from

the effect of the *Ex Parte* 168 increases, in its subsequent order in Docket No. 31,163 the Commission, in effect, rescinded its prior order, and the rail carriers were ordered to establish on May 17, 1954, freight rates reflecting both the *Ex Parte* 168 and *Ex Parte* 175 increases.

Commissioner Freas dissented from the entire report. Commissioner Clark dissented in part, particularly to the extent that he could not agree that increased rates should be prescribed on sugar and sugar cane, and was joined in this dissent by Commissioners Alldredge and Knudson.

Application of the Louisiana Commission for rehearing was denied, and the order of the Interstate Commerce Commission became effective May 17, 1954 increasing intrastate freight rates on many important commodities.(7)

Trial of this case on the record made before the Interstate Commerce Commission was held before the three-judge federal district court on June 5, 1954, and on July 12, 1954 the court dismissed the suit.(8)

---

(7) Commodities and percentages of increases are: Asphalt, 15%; Asphalt-coated rock, sand and gravel, 8% plus 15%; Bagasse, 15%; Brick, common building or face, hollow building tile, 15% (plus 8% if moving east of the Mississippi River); Cement, 15%; Clay and shale cinders, 9%; Cottonseed, cottonseed cake, meal and hulls, 15% (plus 8% if moving east of the Mississippi River); Cottonseed bran, 8% plus 15%; Molasses, 9%; Petroleum products, 9%; Sand, gravel and related commodities, 8% plus 12%; Soybeans, soybean cake and meal, 15% (plus 8% if moving east of the Mississippi River); Sugar, raw and refined, and sugarcane, 8% plus 15%; Sulphur and sulphuric acid, 9%; Tarwood or waste wood 15%.

(8) Said decision, unreported, is reproduced in full in the appendix to jurisdictional statement.

THE ISSUES INVOLVED.

The issues may be summarized in the—

1.

Failure of the District Court to apply properly the principle of *Universal Camera Corp. v. National Labor Relations Board*[9] relative to the responsibility of the court under the Administrative Procedure Act to determine the substantiality of evidence supporting the Interstate Commerce Commission decision from the record as a whole; and imposing a duty and obligation on the Court to review all of the evidence in order to decide whether the Interstate Commerce Commission decision is supported by substantial evidence.

2.

Failure of the District Court to review the record as a whole and to declare that there is no substantial evidence in the record before the Interstate Commerce Commission sufficient to justify a holding that: (a) present Louisiana intrastate rates on the involved commodities are abnormally low or fail to produce their fair share of revenue or unjustly discriminate against interstate commerce; or (b) that present Louisiana intrastate rates on sand and gravel and on sugar give undue and unreasonable advantage and preference to intrastate shippers and subject interstate shippers to undue and unreasonable prejudice and disadvantage.

3.

Failure of the District Court to hold that the proposed increases in Louisiana intrastate freight rates un-

(9) 340 U. S. 474, 71 Sup. Ct. 456, decided February 26, 1951.

der the Interstate Commerce Commission decision will not result in increases in revenue to the rail carriers but will actually cause a loss because of diversion of the traffic to motor and water carriers.

4.

The issues involved are substantial.

ARGUMENT.

1.

The District Court has either failed to understand the principle of *Universal Camera Corp.*, supra, or has misapplied it. Here the District Court failed to follow the admonition that it should not abdicate the judicial function in reviewing the decision of an administrative tribunal such as the Interstate Commerce Commission.

Universal Camera Corp., supra, correctly interpreted the Administrative Procedure Act,[10] wherein it is stated in the last sentence of the cited section:

> "In making the foregoing determinations the court shall review the whole record or such portions thereof as may be cited by any party, and due account shall be taken of the rule of prejudicial error." (Effective June 11, 1946).

The Administrative Procedure Act and the provisions thereof relating to judicial review resulted from a longfelt need expressed to the members of Congress in the committee hearings, for a stricter review of decisions of administrative tribunals, many persons feeling that

(10) 5 U. S. C. A. Section 1009.

there had been a trend toward abuse of discretion in these bodies.

The court, in *Universal Camera Corp.*, said:[11]

"The very smoothness of 'the substantial evidence' formula as the standard for reviewing the evidentiary validity of the Board's findings established its currency. But the inevitably variant applications of the standard to conflicting evidence soon brought contrariety of views and in due course bred criticism."

The Court said further (p. 464):

"From the legislative story we have summarized, two concrete conclusions do emerge. One is the identity of aim of the Administrative Procedure Act and the Taft-Hartley Act regarding the proof with which the Labor Board must support a decision. The other is that now Congress has left no room for doubt as to the kind of scrutiny which a court of appeals must give the record before the Board to satisfy itself that the Board's order rests on adequate proof."

* * * * * *

"Whether or not it was ever permissible for courts to determine the substantiality of evidence supporting a Labor Board decision merely on the basis of evidence which in and of itself justified it, without taking into account contradictory evidence or evidence from which conflicting inferences could be drawn, the new legislation definitely precludes

(11) 71 Sup. Ct. 459.

such a theory of review and bars its practice. *The substantiality of evidence must take into account whatever in the record fairly detracts from its weight.* This is clearly the significance of the requirement in both statutes that courts consider the whole record. Committee reports and the adoption in the Administrative Procedure Act of the minority views of the Attorney General's Committee demonstrates that to enjoin such a duty on the reviewing court was one of the important purposes of the movement which eventuated in that enactment." Reading again from the cited case, the Court said, (p. 465): *"Congress has merely made it clear that a reviewing court is not barred from setting aside a Board decision when it cannot conscientiously find that the evidence supporting that decision is substantial, when viewed in the light that the record in its entirety furnishes, including the body of evidence opposed to the Board's view.'* (Emphasis ours).

"A formula for judicial review of administrative action may afford grounds for certitude but cannot assure certainty of application. Some scope for judicial discretion in applying the formula can be avoided only by falsifying the actual process of judging or by using the formula as an instrument of futile casuistry."

* * * * * *

"Since the precise way in which courts interfere with agency findings cannot be imprisoned within any form of words, new formulas attempting to rephrase the old are not likely to be more

helpful than the old. There are no talismanic words that can avoid the process of judgment. The difficulty is that we cannot escape, in relation to this problem, the use of undefined defining terms."

* * * * * *

"But a standard leaving an unavoidable margin for individual judgment does not leave the judicial judgment at large even though the phrasing of the standard does not wholly fence it in. The legislative history of these Acts demonstrates a purpose to impose on courts a responsibility which has not always been recognized." (Emphasis ours).

On page 466 of the Reporter, the Court concludes with the following important holding:

"We conclude, therefore, that the Administrative Procedure Act and the Taft-Hartley Act direct that courts must now assume more responsibility for the reasonableness and fairness of Labor Board decisions than some courts have shown in the past. Reviewing courts must be influenced by a feeling that they are not to abdicate the conventional judicial function. Congress has imposed on them responsibility for assuring that the Board keeps within reasonable grounds. That responsibility is not less real because it is limited to enforcing the requirement that evidence appear substantial when viewed, on the record as a whole, by courts invested with the authority and enjoying the prestige of the Courts of Appeals. The Board's findings are entitled to respect; but they must nonetheless be set aside when the record before a Court

of Appeals clearly precludes the Board's decision from being justified by a fair estimate of the worth of the testimony of witnesses or its informed judgment on matters within its special competence or both." (Emphasis ours).

The only reference or discussion of the evidence to be found in the entire opinion of the district court in this case is in the two last paragraphs thereof[12] which we quote:

> "We have considered the entire record, which comprises nearly one thousand pages of testimony and a great number of exhibits. *In the belief that no useful purpose would be served by our reviewing the record here we shall not do so.* It is sufficient to say that the Commission had before it a large volume of substantial evidence adduced by both sides of the controversy. In reaching its conclusions it was necessary for the Commission to weigh the evidence. That was a function which peculiarly addressed itself to the expertise of the Commission.
>
> "We hold that the order complained of has a rational basis in adequate findings, which are supported by substantial evidence." (Emphasis ours).

There is no analysis whatsoever in the present case of *any* of the evidence of record. All that may be fairly

(12) Compare that with what was said in **Radio Corp. of America v. United States**, 341 U. S. 412, 71 Sup. Ct. 806, 807 (1951) where this court, discussing the district court opinion, said "Both the majority and dissenting opinions show a familiarity with R. C. A.'s basic contention (and the minor ones as well) that could have come only from careful study of the record as a whole."

obtained from a reading of these two paragraphs of the district court opinion is that it considered the Interstate Commerce Commisison to be expert, that it felt that the Commission alone had the function of weighing the evidence, and, therefore, its decision should be affirmed. But this is not the rule of law. The duty of weighing all the evidence is imposed on the courts in *Universal Camera Corp.*, supra, as the decision holds.

Congress, following the recommendations of the Attorney General's Committee required that the evidence be weighed on the record as a whole to determine its substantiality. That is why the last sentence of Section 1009 of the Administrative Procedure Act was inserted so that the courts might fairly follow the legislative requirement of a full judicial review in the future of administrative decisions and the evidence supporting them.

The district court opinion in this case reflects a failure on the part of the court to follow the clear provisions of the Administrative Procedure Act.

UNIVERSAL CAMERA CORP. PURSUED THROUGH SHEPARD'S CITATIONS.

The provisions of the Administrative Procedure Act relating to judicial review of administrative decisions became effective on June 11, 1946. It was not until February 26, 1951, in *Universal Camera Corp.*, supra, that a landmark interpretation of these provisions of the Act occurred. But there have been many examples thereafter of a faithful adherence to these principles. These are found principally in the decisions of the several United States Courts of Appeal. The Courts of Appeal which

have jurisdiction under the acts of Congress to review the appeals of many administrative tribunals (but not the Interstate Commerce Commission) have given life to the Administrative Procedure Act and the principle of *Universal Camera Corp.*, supra, and have not hesitated to review the evidence on the record as a whole. Where they felt it proper to do so the Courts of Appeal have declared many board and administrative tribunal decisions null because not supported by substantial evidence. Abstracts of these decisions are set forth in the Appendix to this reply.

NORTH CAROLINA v. U. S.[13]—KING v. U. S.[14]

In the *North Carolina* case this court said, "it would be helpful to set out certain guiding principles relative to the indispensable prerequisites to the exercise of the Federal Commission's power over intrastate rates." The court observed that as to interstate regulation the Commission has been granted the broadest powers to prescribe rates but further stated that neither Section 13 (4) of the Interstate Commerce Act, nor any other congressional legislation, indicates a purpose to deprive the states of their primary authority to regulate *intrastate* rates, that a state's power over intrastate rates is exclusive up to the point where its action would bring about the prejudice or discrimination prohibited by the section. The Supreme Court said (p. 1263):

> "Intra-state transportation is primarily the concern of the state. The power of the Interstate Commerce Commission with reference to such intra-

(13) 325 U. S. 507, 65 Sup. Ct. 1260 (1945).
(14) 344 U. S. 254, 73 Sup. Ct. 259 (1952).

state rates is dominant only so far as necessary to alter rates which injuriously affect interstate transportation. American Express Co. v. South Dakota, 244 U. S. 617, 625, 37 S. Ct. 656, 660, 61 L. Ed. 1352. A *scrupulous* regard for maintaining the power of the state in this field has caused this Court to require that Interstate Commerce Commission orders giving precedence to federal rates must meet '*a high standard of certainty.*' *Illinois Central Railroad Co. v. Public Utilities Commission*, 245 U. S. 493, 510, 38 S. Ct. 170, 176, 62 L. Ed. 425. Before the Commission can nullify a state rate, justification for the '*exercise of the federal power must clearly appear.*' *Florida v. United States*, 282 U. S. 194, 211, 212, 51 S. Ct. 119, 123, 124, 75 L. Ed. 291. See also *City of Yonkers v. United States*, 320 U. S. 685, 64 S. Ct. 327, 88 L. Ed. 400. And the intention to interfere with the state's rate-making function is not to be presumed, *Arkansas Commission v. Chicago, etc., R. R.*, 274 U. S. 597, 603, 47 S. Ct. 724, 726, 71 L. Ed. 1224; nor must its intention in this respect be left in serious doubt. *Illinois Commission v. Thompson*, 318 U. S. 675, 684-685, 63 S. Ct. 834, 838, 87 L. Ed. 1075. The foregoing cases also stand for the principle that the Interstate Commerce Commission is without authority to supplant a state-prescribed intra-state rate unless there are clear findings, supported by evidence, of each element essential to the exercise of that power by the Commission." (Emphasis ours).

* * * * * *

"In effect, the Commission's holding was, and its argument is here, that Section 13 (4) automatically requires complete uniformity in intra-state and interstate rates. That argument is in short that under our national transportation system interstate travelers and intra-state travelers use the same trains; for a state to fix a lower intra-state rate than the interstate rate is therefore an undue advantage to the intrastate passengers and an unfair discrimination against the interstate passengers. If Congress intended to permit such an over-simplified form of proof to establish 'unjust discrimination', then its requirement of a 'full hearing" was mere surplusage. In fact, it need have provided for no hearing at all since it could have easily stated in its legislation that intra-state rates shall never be lower than interstate rates. The argment of the Commission in this regard runs counter to the language of Section 13 (4), and would call for a declaration by us that Congress intended by this section to reverse the entire transportation history of the nation." (Emphasis ours).

The Court further observed (p. 1265):

"But the question posed by the Commission's conclusion was whether the particular North Carolina railroads were obtaining from North Carolina's intra-state passenger rates their fair part of such funds as were required to enable these particular railroads to render adequate and efficient service. The Commission made no findings as to what contribution from intra-state traffic would constitute

a fair proportion of the railroad's total income. It made no finding as to what amount of revenue was required to enable these railroads to operate efficiently. Instead, it relied on the mere existence of a disparity between what it said was a reasonable interstate rate and the intra-state rate fixed by North Carolina."

And finally the Court said (p. 1267):

"The power of the Commission to require states to raise their intra-state rates depends upon whether intra-state traffic is contributing its fair share of the earnings required to meet maintenance and operating costs and to yield a fair return on the value of property directed to the transportation service both interstate and intra-state."

There is nothing in *King v. United States* to indicate that the principles set forth in the North Carolina case have been reversed or modified. This Court declined in the *King* case to uphold the findings of the Florida Railroad Commission and sustained the findings of the Interstate Commerce Commission in a 13th Section review thereof only from the record itself and the evidence. It said (p. 269): "No question has been raised here as to the adequacy of the evidence upon which any of the findings are based. Although no such point is urged, supporting evidence appears in the record of the 'full hearing' under Section 13 (4), all of which was introduced in evidence in the court below."

In the instant case, the primary question raised by this appeal is the adequacy of the evidence upon which

the findings are based. Here, the decision of the Interstate Commerce Commission is not fairly supported by substantial evidence viewing the record as a whole. Applying the *Universal Camera Corp.* principle and giving it effect, without abdicating the judicial function, and reviewing the record as a whole, the answer is inescapable that the Interstate Commerce Commission did not have a scrupulous regard for maintaining the power of the state commission, did not require a high standard of certainty in the proof by the rail respondents, and that justification for the exercise of its authority did not clearly appear.(15)

Rail interveners in their motion to affirm cite *Ohio v. United States*, 292 U. S. 498, *Mississippi Valley Barge Co. v. United States*, 292 U. S. 282, *Florida v. United States*, 292 U. S. 1, and *Illinois Commerce Commission v. United States*, 292 U. S. 474. All of these cases were decided in the year 1934 *prior to the passage of the Administrative Procedure Act* and prior to the *Universal Camera Corp.* decision. Their usefulness is, therefore, seriously subject to question.

2.

There is no substantial evidence in the record to justify the finding that present Louisiana intrastate rates on the involved commodities are abnormally low or fail to produce their fair share of revenue. The average rate of

(15) Compare also Justice Frankfurter's dissent in **Radio Corp. of America v. U. S.**, 341 U. S. 412, 71 Sup. Ct. 806, 811 (1951), in which he said: "But so long as the Congress has deemed it right to subject the orders of the Commission to review by this court, the duty of analyzing the essential issues of an order cannot be escaped by too easy reliance on the conclusions of a district court or on the indisputable formula that an exercise of discretion by the Commission is not to be displaced by a contrary exercise of judicial discretion."

return in 1951 of the railroads serving Louisiana was 4.89%.[16] Using the Interstate Commerce Commission rate base and increasing this rate of return, as the rail witness said should be done, by 6-1/2%, the rate of return is 5.20% as compared with the national average of 4.2%. Shippers in Louisiana are, therefore, making a larger contribution to the carrier's revenue than average shippers throughout the United States. There was no separation made in the proof in this case by the railroads of their revenues, expenses and properties as between interstate and intrastate operations. As stated in the Mississippi case, (to which we will fully refer hereafter) "So far as the record shows, it could be fairly assumed that the rates fixed by the . . . Commission were not abnormally low but were bearing a fair percentage of revenue for the operation of the carriers." And as further observed in the Mississippi case, and as is true here in the Louisiana case, "There is no testimony in the record having probative force showing that the rates in Mississippi were abnormally low other than the disparity that exists between the interstate rates and the intrastate rates which within itself is not sufficient. Different conditions, circumstances and situations in different states require and justify different results in fixing intrastate rates."

No attempt was made by rail respondents in the evidence in this case to show discrimination between persons and localities in interstate commerce, except as to the commodities sand and gravel, and sugar. As to these the evidence not only failed to show discrimination but the record as a whole completely refutes this meager evi-

(16) Witness Kroll, Exhibit No. 3.

dence. It cannot be fairly said that there is any substantial basis for a finding of discrimination.

THE MISSISSIPPI DECISION.

While the present case from Louisiana has been litigated, there has also been what amounts to a companion case in the State of Mississippi likewise being litigated. It is entitled, "*Mississippi Public Service Commission v. U. S. and I. C. C.*, Civil Action No. 2120." On September 21, 1954 the district court rendered a decision setting aside the order of the Interstate Commerce Commission entered under Section 13 of the Interstate Commerce Act, where as here the Mississippi Commission had declined the *Ex Parte* 175 increases on all commodities in that state. The decision is so important and so much in point that we have copied it in full in the appendix hereto. It involves many of the same commodities which are involved in the present case, such as cottonseed, soy beans, fertilizer, pulpwood, sand and gravel, cement, brick, and refined petroleum in tank cars.

Undoubtedly it will be appealed by defendants. This court may therefore have the opportunity of determining both the Mississippi and Louisiana cases in this term of Court. It would seem logical that both might be argued orally before this Court on the same date. Up to now the principal differences in the cases are found only in the fact that the State of Mississippi prevailed in the district court, whereas the State of Louisiana did not.

3.

The proposed increases in Louisiana intrastate freight rates would cause a decrease in revenues to the

railroads rather than an increase because of diversion of traffic to motor and water carriers. The Examiner contends that there will be an increase in revenues to the rail carriers of $1,900,000 annually, and the Commission found that it would amount to $1,700,000 annually. But examine the evidence. It is all one way, and it clearly shows by an overwhelming preponderance that appellant's position is right. To illustrate: The commodity bagasse will go to water transportation. Petroleum products and asphalt will go to trucks, at it is well on the way now. Sand and gravel will go to trucks; sugar and sugar cane, to trucks; sulphur and sulphuric acid, to water transportation.

The sworn testimony of the shippers themselves, those who are in charge of routing the traffic, is so overwhelming, that there is no substantial evidence to the contrary. This evidence shows that the shippers intend and will transfer the freight involved on the excepted commodities to motor and water transportation; that the cost, when the additional rate increases are granted, is so great that these commodities can no longer economically stay on rail.

We shall not burden the court in its consideration of this motion to affirm with an extensive review of the evidence. However, solely to illustrate the substantial evidence not considered by the District Court which conclusively indicates the diversion of freight from rail to other modes of transportation and loss in railroad revenue,

rather than an increase, which would result from the rate increases here involved, we desire to refer to the uncontradicted facts shown by the record as to two of the commodities, sugar and sugar cane. The following table compiled from the record indicates this diversion and loss of railroad revenues that will result from these rate increases.

Shipper		Loss in Raw Sugar Freight Revenue	Loss in Sugar Cane Freight Revenue
St. Mary Sugar Coop.	(Bolin, Tr. 644-645)	$ 50,000.00	
A. Wilbert's Sons	(Wilbert, Tr. 680)	32,159.00	
Milliken & Farwell	(Farwell, Tr. 627-628)	12,000.00	$ 18,000.00
Glenwood Coop.	(Melancon, Tr. 649-650)	26,800.00	15,034.00
Godchaux Sugars	(Winter, Tr. 743)		61,000.00
Helvetia Coop.	(Dornier, Tr. 674)	6,801.00	
Poplar Grove	(Wilkinson, Tr. 656-659)	22,324.00	11,223.54
Catherine Sugar Co.	(Carruth, Tr. 661)	26,000.00	
Alma Plantation	(Stewart, Tr. 665-666)	25,000.00	9,000.00
Louisiana State Pen.	(Stroud, Tr. 671)	16,500.00	
Cinclare Factory	(McNeil, Tr. 677)	33,000.00	43,000.00
Total loss 11 Shippers		$250,584.00	$157,257.00
Carriers assumed maximum increase in revenues from all sugar and sugar cane shippers, if no diversion results from rate increases, based on the Railroads' Exhibit No. 4		$107,721.00	$ 81,534.00

It was these facts shown in the above table which led the members of the Interstate Commerce Commission who dissented from the majority report to say, through Commissioner Clarke, who wrote the dissenting opinion:

> *". . . the only conclusion to be drawn from the overwhelming testimony before us is that increased charges as proposed on sugar and sugarcane would precipitate diversions to other forms of transportation in such proportions that the respondents' revenues from this traffic would be less than it is now.*
>
> 'Witnesses representing 11 of the 53 Louisiana sugar-producing mills testified that definite decisions had been made by their respective companies to divert from rail to truck all or some substantial portion of their sugar and sugarcane traffic, if the proposed increases are authorized. *Without considering the diversions reasonably to be expected from the other 42 mills, the probable loss of railroad revenues from those mills for which there was specific testimony far exceeds the total additional revenues the railroads would receive from the proposed increases.*" (Emphasis ours).

The familiarity with local conditions which the Louisiana Public Service Commission has should not be underestimated. The Commissioners themselves heard this case, whereas the Interstate Commerce Commission examiner heard the evidence upon which it predicated its decision. The Louisiana commissioners are thoroughly

familiar with local conditions, and after a full, fair and complete hearing determined that they would grant all less-carload freight increases established under *Ex Parte* 175, also many of the carload increases with the exception of those on the commodities named in its order. The Louisiana decision was not based on caprice or lack of reasoning, it was based on information, upon evidence, and upon the peculiar knowledge of Louisiana's internal economic affairs, which placed the members of the Commission in a better position than an examiner from Washington to analyze the facts.

4.

The issues are substantial, as a reading of this reply will reflect. The Mississippi decision of the three-judge court on a record very similar to the present one, with the commodities almost identical, will undoubtedly soon be before this court, for it certainly may be expected that the railroads and the Interstate Commerce Commission and the United States will appeal. We trust the court will bear in mind the great similarity between this and the Mississippi decision in which the district court granted a permanent injunction against the Interstate Commerce Commission.

CONCLUSION.

The motions to affirm reply almost exclusively rely on the rule stated in said motions, that an administrative board's decisions may be justified by its informed judg-

ment on matters within its special competence. The motions stress the statement in the district court opinion that it was necessary for the Interstate Commerce Commission in reaching its conclusion to weigh the evidence and that this was peculiarly a function which addressed itself to the expertise of the Commission.

There is very little in this case which involves technical rate structures or other matters which peculiarly address themselves to the expertise or technical knowledge of the Interstate Commerce Commission. The most significant question involved here is the diversion of traffic and loss of revenues which the proposed increases in rates will bring. The determination of this question does not involve technical skill of the Interstate Commerce Commission, and is best determined by knowledge of local conditions which the members of the Louisiana Public Service Commission have, as expressed in their decision in this case.

The importance of the present case to the ratepayers of Louisiana cannot be too greatly estimated. It is important to the economy of our state. It is a big case so far as Louisiana is concerned. Accordingly, it is respectfully hoped that the Commission will afford an opportunity to appellants to present oral argument in order that all of the issues involved may be adequately presented to the court, and that after a review of the record as a whole it may be found that there is no substantial evidence upon

which the Interstate Commerce Commission decision can be based sufficient to predicate its decision.

Respectfully submitted,

FRED S. LeBLANC,
Attorney General, State of Louisiana;
JOEL B. DICKINSON,
Assistant Attorney General,
State of Louisiana;
ROBERT A. AINSWORTH, JR.,
Attorney for Louisiana Public Service Commission, Appellant;
W. CROSBY PEGUES, JR.,
For the Department of Highways, State of Louisiana, Intervening Plaintiff;
PAUL G. BORRON, JR.,
For American Sugar Cane League of the U. S. A., Inc., Intervening Plaintiff;
LOUIS A. SCHWARTZ,
For New Orleans Traffic and Transportation Bureau and American Turpentine and Tar Company, Intervening Plaintiffs, and American Sugar Cane League of the U. S. A., Inc., Intervening Plaintiff.

By:.....
ROBERT A. AINSWORTH, JR.,
1650 National Bank of Commerce Bldg.,
New Orleans, Louisiana,
Attorney.

CERTIFICATE OF SERVICE.

I hereby certify that a copy hereof has been duly served on all parties of record in the manner and form required by the rules of this court.

.....
ROBERT A. AINSWORTH, JR.

APPENDIX I.

THE MISSISSIPPI LOWER COURT DECISION IN THE UNITED STATES DISTRICT COURT FOR THE SOUTHERN DISTRICT OF MISSISSIPPI JACKSON DIVISION

Mississippi Public Service Commission,
Plaintiff

Vs. Civil Action
No. 2120

The United States of America and
The Interstate Commerce Commission,
Defendants

OPINION.

MIZE, J.

This is an action seeking to annul, set aside, and permanently enjoin enforcement of an order of the Interstate Commerce Commission entered February 1, 1954, in accordance with the report findings and conclusions entered November 2, 1953, in the proceeding No. 31164, *Mississippi Intrastate Freight Rates and Charges*, under which the respondent rail carriers operating in Mississippi were required to establish intrastate freight rates and charges in Mississippi no lower than the rates and charges prescribed and provided for in said report. The action was filed by the Mississippi Public Service Commission against the United States and the Commission, and served upon the Commission March 15, 1954. Answers have been filed by the United States, by the Commission, and railroad respondents operating in Mississippi. Certain shippers and associations, as named in the several mo-

tions, have intervened in support of the Mississippi Commission. The case was heard on its merits and upon an application for a temporary injunction by consent at the same time. The temporary injunction was granted pending a final judgment.

The Commission proceedings were instituted October 17, 1952, upon the filing of a petition by seventeen railroads, with a supplemental petition filed November 21, 1952, seeking an order, after investigation, to authorize increase of intrastate freight rates in Mississippi, to the same extent and in the same manner as authorized by the Commission in respect to interstate rates and charges, in Ex Parte No. 175, *Increased Freight Rates*, 1951, 284 I. C. C. 589, hereinafter referred to as X-175. The railroads had, prior to filing petitions with the Commission, filed petitions with the Mississippi Commission, seeking approval of the increased rates, which were denied by order of that Commission, entered November 8, 1952. By order of December 5, 1952, Division 1 of the Commission ordered such investigation and a hearing before an examiner for February 2, 1953, at Jackson, Mississippi.

After the hearing a report by Examiner Vandiver was filed and served on May 27, 1953. The proposed report found that the intrastate rates imposed by the Mississippi Commission on cottonseed and products thereof, soy beans and products thereof, fertilizer and fertilizer materials, lumber and articles listed as taking the lumber rates, pulpwood, sand and gravel, cement, brick and related articles in the brick list, and refined petroleum in tank cars, were abnormally low, and traffic thereunder fails to produce its fair share of revenue to enable railroad respondents to

provide adequate and efficient service, and such rates cause undue, unreasonable, and unjust discrimination against interstate commerce. The Mississippi Commission and three protestants filed exceptions to said report, and respondent railroads filed reply thereto.

The Commission entered its report on November 2, 1953, 291 I. C. C. 39. Ultimate findings of the Commission are set forth in the report and are substantially the same as those proposed by the Examiner. The report provided that an order would be issued making the findings effective, unless notified within 30 days after service, by the Mississippi Commission, that it would promptly permit the approved increases. Upon petitions of the Mississippi Commission, the Commission, by orders dated November 25 and December 23, 1953, extended the date on which such notification should be given to February 1, 1954. The Mississippi Commission and three protestants filed petitions for reconsideration of the report of November 2, 1953, which were denied by the Commission order of February 1, 1954, under which respondent railroads were ordered to establish the intrastate rates prescribed for the commodities named in the report, on March 19, 1954, effective upon five days' notice. Petition of the Mississippi Commission was filed March 9, 1954, to amend the order of February 1, 1954, so as to remove therefrom the requirement to increase intrastate rates on refined petroleum in tank cars. By Commission order of March 10, 1954, the order of February 1, 1954, was so amended.

The Commission authorized, in X-175, a general increase of fifteen percent on basic interstate freight rates and charges, subject to certain exceptions and modi-

fied increases, which was the fourth general increase since World War II. The railroads operating in Mississippi filed petition with the State Commission, seeking the same increases on intrastate rates and charges as authorized on interstate rates under X-175.

The Mississippi Commission had a full hearing and authorized an increase in intrastate rates and charges of the full fifteen per cent on all less than carload freight and upon all carload freight, except as to carload line haul rates of brick and related articles upon which the Mississippi Commission granted no increase, cement, upon which the Mississippi Commission granted no increase, fertilizer and fertilizer materials, upon which the Mississippi Commission authorized a six per cent increase, lumber, upon which the Mississippi Commission authorized a six per cent increase, pulpwood, upon which the Mississippi Commission authorized a six per cent increase, sand and gravel, upon which the Mississippi Commission granted no increase, cottonseed and products thereof, upon which the Mississippi Commission authorized a six per cent increase, soya beans and the products thereof, upon which the Mississippi Commission authorized a six per cent increase, cattle feed made 65% or more of cotton seed or soya bean products, upon which the Mississippi Commission authorized a six per cent increase, and refined petroleum in tank cars, upon which the Mississippi Commission authorized an increase of six per cent. Upon all of the commodities excepted the increase authorized by the Interstate Commerce Commission was fifteen per cent with the single exception of sand and gravel upon which the interstate increase was twelve per cent.

Cattlefeed made 65% or more of cottonseed or soya bean products is not involved in this case as same was excepted from the report and order of the Interstate Commerce Commission. Refined petroleum in tank cars is likewise not involved in this proceedings for the reason that, by order dated February 23, 1954, the Mississippi Commission ordered that the intrastate rates for that commodity be increased the full fifteen per cent authorized in Ex Parte No. 175. All of the remaining excepted commodities are in issue, there being involved the differential in the increases authorized by the Mississippi Commission and the Interstate Commerce Commission as outlined above.

The Commission report, finding 3, prescribed the interstate increase on all the commodities excepted by the Mississippi Commission. The rates involved herein relate only to said excepted commodities as an issue, of which refined petroleum in tank cars was removed by the Commission order of March 10, 1954, entered after the Mississippi Commission had approved the interstate increase for that commodity.

The ultimate issue relates to the validity of the orders of the Commission requiring the rail carriers to increase their Mississippi *intrastate* rates and charges to the same level prescribed in the report of November 2, 1953. Section 13 (4) prohibits two types of preference and discrimination, in respect to intrastate and interstate rail rates, preference and prejudice as to persons and localities, and discrimination against interstate commerce. The Commission report of November 2, 1953, found that no evidence was offered as to undue prejudice to inter-

state shippers. The remaining issue relates only to discrimination against interstate commerce. Paragraphs XII and XIII of the complaint allege illegality of the final report and order of the Commission, on grounds there stated of violation of constitutional rights; action beyond the scope of statutory authority; unsupported by substantial evidence or contrary to evidence; and arbitrary action.

The paramount question for determination is whether or not there was substantial evidence to support the finding of the Commission. The law in recent years has been fully announced and declared by the Supreme Court.

The Interstate Commerce Commission has no general authority to regulate intrastate rates. The mere existence of a disparity between interstate and intrastate rates does not authorize the Commission to enter a field properly consigned and belonging to the state regulatory body and interfere with rates established by state authority. Section 13 (4) of the Interstate Commerce Act does not automatically require complete uniformity in intrastate and interstate rates but the state commission may fix a lower intrastate rate than the interstate rate, unless an undue advantage to intrastate traffic and an unfair discrimination against interstate traffic results therefrom. This rule was properly and clearly declared by the Supreme Court of the United States in the case of North Carolina v. United States, 65 S. Ct. 1260, 325 U. S. 507, 89 L. Ed. 1760.

The true rule is that, whenever the Commission attempts to exert the power to interfere with intrastate

rates which are otherwise in the dominion of state regulation, the justification for the exercise of such power by the Commission must clearly appear of record. Otherwise, the Commission's action is a clear and unlawful encroachment upon the reserved power and authority of the state.

In order to authorize the Commission to exercise the power to nullify intrastate rates under Section 13 (4) of the Act, it must be shown, among other things, (a) that the intrastate rates involved are abnormally low and are not contributing their fair share of the revenue of the carriers involved; (b) that the disparity between the rates is substantial and operates as a real discrimination against and obstruction to interstate commerce; (c) that injury to interstate shippers has resulted and will continue to result because of the disparity in rates; (d) that the proposed rates are just and reasonable; and (e) that a substantial increase in the carriers' revenue will result from the proposed increase in the intrastate rates. North Carolina v. United States, supra. The Court further held in that case that the power of the Commission to require states to raise their intrastate rates depends upon whether intrastate traffic is contributing its fair share of the earnings required to meet maintenance and operation costs and to yield a fair return on the value of the property directed to the transportation service both interstate and intrastate. Moreover, it reaffirmed the doctrine that the Commission could not require intrastate rates to be raised above a reasonable level.

The Interstate Commerce Commission is granted wide powers to prescribe rates on interstate freight as well as other transportation matters. That function be-

longs primarily and exclusively within the limits of the Act to the Commission; however, its authority over intrastate rates is limited as above set out and Section 13 (4) of the Act was never intended to deprive the state commission of their primary authority to regulate intrastate rates. There is a point where the power of the state commission ceases and the power of the Interstate Commerce Commission begins, but as stated by Mr. Justice Black in the North Carolina case, it is not always easy to designate that point.

Other principles of law have been clearly declared by the Supreme Court of the United States. Intrastate traffic must bear a fair proportionate share of the costs of maintaining an adequate railway system. Wisconsin Railroad Commission v. Chicago V. & Q. Railway, 257 U. S. 563. It is within the power of the Interstate Commerce Commission to determine if the intrastate rates do that; however, before it can alter intrastate rates the justification therefor must clearly appear and be supported by substantial evidence. It is not sufficient that there be simply a difference between interstate rates fixed by the Commission and the intrastate rates as fixed by the state commission. The fixing of intrastate rates is primarily the duty of the state commission and the record in this case demonstrates that the Mississippi Commission gave great study and investigation and heard much testimony before the commission itself and not through an examiner. If the evidence is substantial to support the finding of the Interstate Commission, then its powers and its conclusions override that of the state commission, but a mere disparity of itself in the rates fixed by each com-

mission is not sufficient. Florida v. United States, 282 U. S. 194. Whenever the findings of the Commission are supported by substantial evidence, then the findings of such commission are conclusive upon the courts, but if such findings are not supported by substantial evidence, then the matter is one for the court to determine and such order cannot be upheld. In determining in the first instance whether intrastate rates should be raised or lowered the Interstate Commerce Commission is allowed wide latitude in directing that intrastate rates be increased and may take into consideration material and reports which were before the Commission in previewing a nationwide increase in interstate freight rates. The Commission's jurisdiction over intrastate rates is not limited to cases where those rates are confiscatory. King, et al. v. United States, et al., 344 U. S. 254.

The Court in reviewing an order of the Interstate Commerce Commission has the duty to study the entire record and it is the function of the Court to determine from the whole record whether or not there was substantial evidence before the Commission upon which its order could be based. If there were no substantial evidence then it is the duty of the Court to set aside such order and enjoin its enforcement. Congress in enacting in 1946 the Administrative Procedure Act made it mandatory that the reviewing court should set aside an order that was unsupported by substantial evidence and that it should review the whole record in making the determination. The Supreme Court of the United States in Universal Camera Corporation v. N. L. R. B., 340 U. S. 474 held that in determining what is substantial evidence that the Court must take into consideration whatever in the

record fairly detracts from its weight. Under the decision in that case it is the duty of the reviewing court when it cannot conscientiously find that the evidence supporting the order of the Commission is substantial, when viewed in the light that the record in its entirety furnishes, including the body of the evidence opposed to the Board's view, to set aside the order of the Commission.

Substantial evidence is a legal term and presents to the court for adjudication a question of law. It is a term that frequently appears in the construction of many laws. There are many instances in which judgments are required to be supported by substantial evidence. The verdicts of juries in some states are required to be supported by substantial evidence and it then becomes a question for determination by the court as to whether or not a verdict is supported by substantial evidence and if it is not, then the court reverses and directs that judgment be entered when not supported by substantial evidence. The decisions on this matter are numerous. See Words and Phrases, Permanent Edition, Vol. 40, 1954 Annual Pocket Part, P. 88. Substantial evidence is a term that cannot be defined definitely, but whether the evidence in a particular case amounts to substantiality must be determined from the facts of each case as it arises.

The order in this case when viewed in the light of the entire record and all of the circumstances leading up to its passage and giving weight to all things that detract from the sufficiency of the evidence is not supported by substantial evidence and must be set aside and its enforcement enjoined. It is a delicate duty placed upon the reviewing court to determine the line of demarkation and

to adjudicate the point where the authority of the state commission ends. The court does not have the power to settle disputes in the testimony, but it must consider the entire record and determine as a matter of law if there was substantial evidence to support the order. The record shows that in making the investigation for the nation as a whole in Ex Parte No. 175 that the Commission at that time was making a determination that the intrastate rates should be increased as well as the interstate rates. That will not do. There must be a finding based upon substantial evidence after a full investigation that the intrastate rates are abnormally low and that traffic thereunder fails to produce its fair share of the earnings to yield revenue sufficient to accomplish the purpose of intrastate commerce. The record does not bear out any substantial evidence to this effect. There was no separation made by the railroads of their revenues, expenses and properties as between interstate and intrastate operations. So far as the record shows, it could be fairly assumed that the rates fixed by the Mississippi Commission were not abnormally low but were bearing a fair per centage of revenue for the operation of the carriers. The record of the evidence in the case reflects a favorable financial condition of the railroads involved herein when contrasted with that of the railroads of the country as a group. The statistics introduced in evidence and reflected by the various reports show that the national average of returns for the railroads was 4.02 per cent; whereas, the condition of the railroads involved in this controversy was in a better financial situation and their earnings greater than the 4.02 per cent. The Interstate Commerce Commission in Ex Parte No. 175, when granting freight rate increases took into consideration the losses sustained by the rail-

roads in passenger operations. This was correct and was upheld in King v. United States, 344 U. S. 254, but in determining the intrastate rate in Mississippi the Commission refused to take into consideration the lower passenger deficits which prevailed in Mississippi. There is no testimony in the record having probative force showing that the rates in Mississippi were abnormally low other than the disparity that exists between the interstate rates and the intrastate rates which within itself is not sufficient. Different conditions, circumstances and situations in different states require and justify different results in fixing intrastate rates. The findings of a state commission which is familiar with such conditions in the state, with the location of competing highways and other forms of carriers, when its opinion differs from the Interstate Commerce Commission's findings detracts heavily against the findings of the Interstate Commerce Commission, whose testimony is taken before an examiner. The record shows in this case that the need of the carriers involved here for additional revenue is not as great as the needs of the railroads of the country as a whole. The statistics introduced in evidence and now in the record demonstrate this.

The testimony of the various witnesses who are shippers of many of the products involved herein demonstrates that if the rates are permitted to stand as fixed by the Interstate Commerce Commission, the income of the railroads will be reduced rather than increased. Many of these are shippers themselves and testified positively and unequivocally that it would be economy for them to use their own individual trucks or private carriers by truck, who are unregulated so far as rates are con-

cerned in Mississippi. When the intrastate freight rate level on a given commodity is at such level that any increase in the rate would have the effect of diverting traffic from the rail carriers to competing forms of transportation, then it would follow that the revenue derived would be diminished rather than increased. In fixing reasonable rates competition is one of the elements to be considered and is frequently controlling. See *Interstate Commerce Commission v. Great Western Railway Company*, 141 Fed. 1003. In determining the legal question as to whether the evidence amounts to substantiality and in adjudicating whether there was substantial evidence or not, the court likewise must weigh such factors. The record shows in this case that the Mississippi Commission was thoroughly familiar with the competition prevailing and with the location of the sites for gravel, the location of the highways and as a matter of fact, in better position to determine the effect of competition upon the carriers than is the Interstate Commerce Commission, but, of course, its findings must yield to those of the Interstate Commerce Commission, if the record as a whole shows that there was substantial evidence.

The Interstate Commerce Commission found that the increase granted in the rates by it would produce more than $550,000.00 annually on all of the commodities involved. This finding was based upon estimates made by experts of the railroad companies that such revenue would be produced if the rate increase be given. The testimony upon this proposition is exceedingly weak. It is based upon the presumption that the same amount of freight traffic would continue under the increased rate as had theretofore been carried at the lower rate. This assump-

tion and opinion is contrary to the sworn testimony of those who were in position not only to know but also to control large quantities of the products upon which the rate was increased. The evidence to support this finding when weighed in the light of the prevailing rule of law is not sufficient to amount to substantial evidence.

The testimony of the various witnesses and experts who testified for the carriers along with their many exhibits, opinions and tests has not been overlooked but their testimony has been fully weighed in the light of the entire record and proceedings in this cause and when viewed in this light the testimony fails to show substantiality sufficient to uphold the order here under attack and the findings that were made by the Interstate Commerce Commission. It would unduly prolong this opinion to undertake to point out in detail the testimony of the various witnesses and the things that detract from the substantiality of the evidence, but it is demonstrated more closely with reference to sand and gravel, the pulpwood and the fertilizer and cement that is involved. The record is clear in this case that the revenue needs of the railroads of the Eastern District and in the South or Western District and the financial condition of the petitioning railroads involved in this case are in better condition than the national average.

On the trial before this Court there was introduced in evidence Plaintiff's Exhibit 4, which was a petition by the railroads made to the Interstate Commerce Commission seeking a modification of the Commission's order so as to authorize lower rates upon sand and gravel and Plaintiff's Exhibit 5, being an order thereon granting the

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prayer of the petition. There was no objection to the introduction of these documents but even if they should have been irrelevant as having occurred since the filing of the suit, it still would be true that there was not sufficient substantial evidence to support the order but if these documents be considered, they simply demonstrate that the higher rate given the railroads would cause the traffic to divert to competitors. The commodities involved in this controversy require shorter hauls than do the interstate shipments and are therefore more susceptible to competition. On all of the commodities involved in the controversy the competition by carriers is keen and would come not only from regulated trucks for hire but from unregulated trucks and from trucks owned and operated by the shippers themselves. This is clearly shown by the record by positive testimony and overwhelmingly overthrows and overrides the opinions of the experts.

The Interstate Commerce Commission committed an error of law in disregarding the evidence that passenger deficits in Mississippi were substantially lower than in the South or the nation as a whole. The Mississippi Commission offered evidence showing that passenger deficits in Mississippi were substantially less than the passenger deficits of the same railroads for their systemwide operation and according to the statistics introduced there was a vast difference. Passenger deficit is an element to be taken into consideration in rate making by the Interstate Commerce Commission, and as a matter of law, it is the duty of that Commission to consider it in determining whether rates should be increased or decreased, and if the passenger deficit in Mississippi was less than that of the nation as a whole, it was the duty of the Com-

mission to give proper consideration to this testimony. *King v. United States*, supra.

At the time the original complaint herein was filed and at the time of the hearing and when the case was submitted to the Court for judgment, cement in carload lots was one of the commodities involved and an intervention by the Marquette Cement Manufacturing Company was allowed but since that date the Marquette Cement Manufacturing Company, one of the intervening plaintiffs, moved to be permitted to withdraw its intervention for the reasons stated in the motion and likewise the plaintiff moved to amend its complaint so as to eliminate cement from the commodities at issue and without objection an order was entered on the 13th day of September, 1954, sustaining each of said motions. The complaint was amended so as to eliminate cement and the petition of the Marquette Cement Company was dismissed for the reasons stated in said motions, there being no objections from any one to these motions.

For the reasons herein stated the order of the Interstate Commerce Commission will be set aside and its enforcement enjoined.

Order may be drawn in accord herewith.

Jackson, Mississippi, September 21, 1954.

/s/ E. R. HOLMES
United States Circuit Judge

/s/ S. C. MIZE
United States District Judge

United States District Judge

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IN THE UNITED STATES DISTRICT COURT
FOR THE SOUTHERN DISTRICT OF MISSISSIPPI
JACKSON DIVISION

MISSISSIPPI PUBLIC SERVICE COMMISSION,

Plaintiff

Civil Action No. 2120

VS.

THE UNITED STATES OF AMERICA
and
THE INTERSTATE COMMERCE COMMISSION,

Defendants

OPINION

Thomas, District Judge, dissenting:

As stated by Judge Mize in the majority opinion, the paramount question for determination is whether or not there was substantial evidence to support the finding of the Commission. The law is well settled "that an order of the Commission is entitled to finality, and may not be set aside, modified, or disturbed on judicial review, if such order of the Commission lies within the scope of the Interstate Commerce Statute, and is based upon adequate findings that are supported by substantial evidence."(1) There is no question but that the order of the Commission lies within the scope of the statute. In discussing the limitation upon the right of courts to review orders of the Commission, in the case of *Interstate Commerce Commission v. Union Pacific Railroad Company*, 222 U. S. 541, 56 L. Ed. 308, 32 S. Ct. 108, the court said:

(1) Louisiana Public Service Commission vs. United States of America and the Interstate Commerce Commission, U. S. District Court, Eastern District of Louisiana, decided July 9, 1954.

"In determining these mixed questions of law and fact, the court confines itself to the ultimate question as to whether the Commission acted within its power. It will not consider the expediency or wisdom of the order, or whether, on like testimony, it would have made a similar ruling. 'The findings of the Commission are made by law prima facie true, and this court has ascribed to them the strength due to the judgments of a tribunal appointed by law and informed by experience.' Ill. Cent. v. I. C. C., 206 U. S. 441. Its conclusion, of course, is subject to review, but when supported by evidence is accepted as final; not that its decision, involving as it does so many and such vast public interests, can be supported by a mere scintilla of proof—but the courts will not examine the facts further than to determine whether there was substantial evidence to sustain the order."

In my opinion, the findings made by the Commission in support of its conclusion are entirely adequate, and fulfill the needs emphasized in the case of *North Carolina et al. v. United States et al.*, 325 U. S. 507, 89 L. Ed. 1760, 65 S. Ct. 1260.

The record must be considered as a whole. I have considered the record as a whole and am of the opinion that on the authority of *King, et al. v. United States, et al.*, 344 U. S. 254, 97 L. Ed. 301, 73 S. Ct. 259, the order complained of has a rational basis in adequate findings, which are supported by substantial evidence.

I respectfully dissent from the majority opinion.

/s/ DANIEL H. THOMAS

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APPENDIX II.

UNIVERSAL CAMERA CORP. PURSUED THROUGH SHEPARD'S CITATIONS

In *National Labor Relations Board v. Hart Cotton Mills*, 109 F. (2d) 964, 974 (4th Cir., 1951), the Court said, "We are *warned* by the decision of the Supreme Court in *Universal Camera Corp.* . . ." that under the provisions of the Administrative Procedure Act courts must now assume more responsibility for the reasonableness of the decisions of an administrative tribunal. The Court reviewed the evidence and held that it did not establish that the corporation was guilty of unfair labor practices. Accordingly the petition of the N. L. R. B. was dismissed *on the evidence*, which was found not substantial considering the record as a whole. (Emphasis ours).

In *National Labor Relations Board v. Russell Mfg. Co.*, 191 F. (2d) 358, 359 (5th Cir., 1951), the court did not hesitate to weigh the evidence and to find that the evidence with regard to whether certain employees were discriminatorily discharged was not circumstantial when viewed in the light that the record in its entirety furnishes, including the bulk of evidence as opposed to the Board's view.

In *National Labor Relations Board v. Red Spot Electric Co.*, 191 F. (2d) 697, 699 (9th Cir. 1951), the court in declining to issue a summary order on behalf of the N. L. R. B., said that, "In any event, it has not been held that the amendments of the Act *required a stricter rule of construction than hitherto* and that the *courts have*

a much broader sphere of action in determining what orders are to be enforced." (Citing *Universal Camera Corp.).* (Emphasis ours).

In *Minneapolis-Honeywell Regulator Co. v. Federal Trade Commission*, 191 F. (2d) 786, 789 (7th Cir., 1951), the court cited *Universal Camera Corp.*, supra, and refused to uphold the decision of the Federal Trade Commission, stating, "We are convinced that here 'the inferences on which the . . . findings were based were so overborne by evidence calling for contrary inferences that the findings . . . could not, on the consideration of the whole record, be deemed to be supported by 'substantial evidence'." The court also said, "The evidence supporting the conclusion may become even less substantial when it fails to persuade an experienced member of the Commission, who dissents from its findings and conclusions."(1)

In *Whiting Corp. v. National Labor Relations Board*, 200 F. (2d) 43, 45 (7th Cir., 1952), the court weighed the evidence and found it insufficient to sustain the findings of the N. L. R. B. The court said, "We think the conclusion inescapable that the Board failed to give to the evidence that consideration required by *N. L. R. B. v. Universal Camera Corp. . . .*"

In *Securities & Exchange Commission v. Cogan*, 201 F. (2d) 78, 86 (9th Cir., 1952), the court declined to follow an order of the Securities and Exchange Commission, and said that the power of reviewing courts as to

(1) In the instant case Commissioner Freas dissented from the entire report. Commissioner Clark dissented in part as to sugar and sugar cane and was joined in this dissent by Commissioners Alldredge and Knudson.

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administrative decisions had been "reinforced" by the adoption of the Administrative Procedure Act.

In *National Labor Relations Board v. Southland Mfg. Co.*, 201 F. (2d) 244, 250 (4th Cir., 1952), the court weighed the evidence and held that it failed to sustain the Board's findings. The court cited with approval *Universal Camera Corp.*, supra, and said, "By this decision the Supreme Court in effect overruled decisions of the Courts of Appeals of this and four other circuits, which were in agreement that the two statutes had made no material change in the reviewing power." And the court further said:

> "Specifically we may not say that the findings of fact of the Board must be sustained unless the supporting evidence is so weak that we would direct a verdict if the case had been tried by a jury; and we may not say broadly that it is beyond our power to inquire whether the findings are so clearly erroneous that an injustice has been done, or that we are not permitted in any case to substitute our judgment for that of the Board.
>
> "True it is that the judgment of the Board is entitled to respect, and weight must be given to its expertness in its specialized field and we may not try the case de novo or displace the Board's choice between two fairly conflicting views; yet we must exercise our independent judgment and substitute it for that of the Board's if it is clear to us that the Board has not made a fair estimate of the worth of the testimony or we cannot conscientiously find that the supporting evidence is sub-

stantial when viewed in the light supplied by the entire record, including the evidence opposed to the Board's view."

In *National Labor Relations Board v. England Bros., Inc.*, 201 F. (2d) 395 (1st Cir., 1953), the court found after weighing the evidence that it was insufficient to sustain a finding that the employer had engaged in any course of coercive interrogation of employees in connection with their union activity, and on the basis of *Universal Camera Corp.*, supra, dismissed the N. L. R. B. petition.

In *National Labor Relations Board v. Amalgamated Meat Cutters & Butcher Workmen of North America, Local No. 127*, 202 F. (2d) 671, 674, (9th Cir., 1953), the court found from the evidence that it was insufficient to sustain findings that the union was guilty of unfair labor practices, and on the basis of *Universal Camera Corp.*, supra, declined to uphold the Board's findings because it said, ". . . we cannot find that the record as a whole furnishes substantial evidence to support the . . . findings."

In *National Labor Relations Board v. American Mfg. Co. of Texas*, 203 F. (2d) 212, 217 (5th Cir., 1953), the court declined the petition of N. L. R. B. by weighing the evidence and finding therefrom that certain employer practices did not constitute unfair labor practices. On the authority of *Universal Camera Corp.*, supra, it found that the order of the Board should be denied enforcement, as not supported by substantial evidence on the record considered as a whole.

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In *National Labor Relations Board v. Corning Glass Works, et al.*, 204 F. (2d) 422, 427 (1st Cir., 1953), the court held that the act of supervisor in handing cards of a particular union to a worker, even if attributable to employer, constituted such trivial support of such union over competing union that employer was not chargeable with having contributed support other than financial to the union thus favored. Viewing the record as a whole under the rule of *Universal Camera Corp.*, supra, it found that there was no room for holding as the Board had done under the facts.

In *National Labor Relations Board v. Stafford*, 206 F. (2d) 19, 22 (8th Cir., 1953), the court said, "The insertion of the word 'substantial' in the Act by the amendment of 1947 did not, therefore, enlarge its meaning in that respect, but the insertion of the words, 'on the record considered as a whole' and the historical background of the Act and the amendment do have significance, at least under the present record."

In *National Labor Relations Board v. Reed*, 206 F. (2d) 184, 189 (9th Cir., 1953), the court did not hesitate to modify the Board's findings or to say that, "An examination of the record as a whole fails to disclose substantial evidence to support the Board's finding on this point."

In *National Labor Relations Board v. Fuchs Baking Co.*, 207 F. (2d) 737, 739 (5th Cir., 1953), the Court held that the evidence was insufficient to support findings that superintendent's questioning of employee concerning union membership and activities constituted interference,

restraint and coercion and that employer discriminatorily discharged two employees. Citing *Universal Camera Corp.*, supra, the court said: "With no evidence of anti-union animus, it seems to us the circumstances relied on by the Board are enough merely for suspicion or surmise, and do not amount to substantial evidence on the record considered as a whole."

In *Farmers Co-operative Co. v. National Labor Relations Board*, 208 F. (2d) 296, 298 (8th Cir., 1953), 299, the court declined to sustain the Board, holding that the record considered as a whole disclosed no substantial evidence to support findings of violation by plaintiff of unfair labor practice provisions. The court, citing *Universal Camera Corp.*, supra, said: "The goal to achieve in reviewing the whole record is to make 'a rational inquiry into truth' for the purpose of judicially administering justice according to law."

In *National Labor Relations Board v. Associated Dry Goods Corp.*, 209 F. (2d) 593, 595 (2nd Cir., 1954), the court held that the evidence was insufficient to sustain the Board's findings that employer had threatened its employees with loss of benefits in event of unionization and had exercised coercion to restrain activities of union organizer. The court said, ". . . it is sufficient to say that the evidence as a whole lacks the required substance to afford a basis for the order of the Board. . . ."

In *National Labor Relations Board v. International Broadcasting Co.*, 209 F. (2d) 912 (5th Cir., 1954), the court declined to enforce an order of N. L. R. B. entered against employer allegedly guilty of discouraging forma-

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tion of union, who discharged two men because of union activity and refusal to bargain. The court said that the evidence demonstrated that the employer had just cause to discharge the employees, and that in so doing it was not guilty of an unfair labor practice. As the court stated, "We place our decision on the ground that the evidence shows clearly that the employer had just cause to discharge these employees."

In *Gooding v. Willard*, 209 F. (2d) 913, 916 (2nd Cir., 1954), the court cited with approval *Universal Camera Corp.*, supra, and said:

> "As is pointed out in the opinion in the last mentioned case, 'substantial evidence' means more than evidence which, considered by itself alone, would be sufficiently persuasive to induce the trier of fact to give it the credence and weight essential to support findings. It must have those characteristics to such an extent that in the setting made by the entire record the trier may reasonably find in accordance with it after giving due consideration to whatever else is shown both in opposition or in accord. Judicial review has been extended by the Administrative Procedure Act to embrace adequate exploration of the record as a whole to enable the reviewing court to arrive at its own judgment in determining that."

In *Local No. 3, United Packinghouse Workers of America, CIO v. National Labor Relations Board, et al.*, 210 F. (2d) 325, 330 (8th Cir., 1954), the court said: "Since the decision of the Supreme Court in *Universal*

Camera Corp. . . . it is incumbent upon this court in cases here on petition for review of an order of the National Labor Relations Board to consider the conflicting evidence and if it is our duty to consider it *then we must pass upon its weight.*" The court declined to enforce the order of the Board after weighing the evidence. (Emphasis ours).

In *Mount Hope Finishing Co., et al. v. National Labor Relations Board,* 211 F. (2d) 365, 371 (4th Cir., 1954), the court said: "After an examination of the evidence which we have set out in much detail we cannot conscientiously find reasonable support for the decision of the Board on this point, 'when viewed in the light that the record in its entirety furnishes, including the body of the evidence opposed to the Board's view', as required by the statute and the decisions of the Supreme Court." (Citing *Universal Camera Corp.,* supra).

In *Texas Foundries, Inc. v. National Labor Relations Board,* 211 F. (2d) 791, 794 (5th Cir., 1954), the court weighed the evidence and held: "The substantial evidence in the record as a whole does not support the board's finding that petitioner failed to bargain with the union in good faith, and we think the order of the board should be set aside" (citing *Universal Camera Corp.,* supra).

In *National Labor Relations Board v. Houston Chronicle Pub. Co.,* 211 F. (2d) 848, 854 (5th Cir., 1954), the court declined to enforce an order of the Board, cited *Universal Camera Corp.,* supra, with approval and said:

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"The Board's view does not fairly conflict with ours, when it is not supported by substantial evidence on the record considered as a whole."

In *National Labor Relations Board v. Philadelphia Iron Works*, 211 F. (2d) 937, 940 (3rd Cir., 1954), the court observed: "Since 'the substantiality of evidence must take into account whatever in the record fairly detracts from its weight,' *Universal Camera Corp.*, . . . we must consider the other side of the coin."

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In the Supreme Court of the United States

OCTOBER TERM, 1954

No. 351

LOUISIANA PUBLIC SERVICE COMMISSION, ET AL., APPELLANTS

v.

THE UNITED STATES OF AMERICA AND INTERSTATE COMMERCE COMMISSION

ON APPEAL FROM THE UNITED STATES DISTRICT COURT FOR THE EASTERN DISTRICT OF LOUISIANA

MOTION TO AFFIRM

Pursuant to Rule 16, paragraph 1(c), of the Revised Rules of this Court, appellees United States of America and Interstate Commerce Commission move that the judgment of the district court be affirmed.

This is a direct appeal from a final judgment entered July 12, 1954, by a three-judge district court convened pursuant to 28 U. S. C. 2284, 2325, dis-

missing a complaint seeking to set aside a Commission order. The order required respondent rail carriers to increase certain intrastate rates in Louisiana to the level of interstate rates.

After the Commission had ordered a general increase in interstate freight rates, twenty railroads operating in Louisiana requested the Louisiana Public Service Commission to grant similar increases in intrastate rates. The Louisiana Commission allowed the increases except for certain "exempted commodities." The railroads then petitioned the Interstate Commerce Commission to increase the intrastate rates on the "exempted commodities." After full administrative proceedings, the Commission found that these intrastate rates are abnormally low, that traffic thereunder fails to produce its fair share of the revenues required to enable the railroads to provide adequate and efficient service, and that the rates are unjustly discriminatory against interstate commerce. *Louisiana Intrastate Freight Rates and Charges,* 291 I. C. C. 279, 314-315. The Commission directed the railroads to increase the intrastate rates to the level at which it had previously fixed the interstate rates.

On appeal, the district court unanimously sustained the Commission's order. The court held that, under *King* v. *United States,* 344 U. S. 254, the Commission's findings were "entirely adequate" to support its conclusion, and that, based on the court's review of the "entire record," such findings were supported by substantial evidence.

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We submit that these conclusions of the district court were plainly correct, and that this appeal presents no questions of substance warranting further review by this Court.

1. Appellants contend (Jurisdictional Statement, pp. 15, 20) that the findings of the Commission are inadequate to support its order. Plainly, however, *King* v. *United States*, 344 U. S. 254, establishes the sufficiency of the findings in this case. In *King*, this Court explicitly held (pp. 270-271) that a Commission order increasing Florida intrastate rates to the interstate rate-level was supported by findings (1) that the intrastate rates were abnormally low and were not contributing their fair share to the carriers' revenues; (2) that the transportation conditions incident to the intrastate movement were not more favorable than those incident to the interstate movement; (3) that the increased intrastate states would not exceed a just and reasonable level; and (4) that such increased rates would substantially increase the carriers' revenues therefrom, and would constitute not more than a fair proportion of their total income. As the court below correctly stated, the Commission's findings in the instant case are "very similar" to those made in *King*,[1] and they are adequate to support the order.

[1] In the instant case, the Commission found (291 I.C.C. at 314-315), *inter alia*, that the intrastate rates were abnormally low and not producing their fair share of the carriers' necessary earnings (Fdg. 3), that the conditions incident to Louisiana intrastate transportation were not more favorable than those incident to the interstate transportation (Fdg. 1),

North Carolina v. *United States*, 325 U. S. 507, upon which appellants rely, is not in point. In the *North Carolina* case, this Court set aside a Commission order raising intrastate states on the ground that a mere disparity between interstate and intrastate rates is not of itself sufficient to establish unjust discrimination. The *King* decision distinguished the *North Carolina* case on the ground that in *King* the Commission had made the very findings which the Court had found wanting in *North Carolina*. Since, as the district court held, "the findings which the Court found adequate in the *King Case* were made by the Commission in the instant case, * * * the holding in the *North Carolina Case* is not applicable here."

2. Appellants also contend (Jurisdictional Statement, pp. 16-19) that the court below did not follow *Universal Camera Corp.* v. *National Labor Relations Board*, 340 U. S. 474, which directs that a reviewing court, in determining the sufficiency of the evidence supporting agency findings, shall consider the record as a whole. The court's opinion makes it clear, however, that this was the very standard which the court followed in testing the sufficiency of the evidence. The court, citing the

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and that the increased intrastate rates will not be unreasonable and will increase the carriers' annual income by more than $1,700,000 (Fdg. 6).

For subsidiary findings showing that the intrastate rates on the various commodities are abnormally low (Fdg. 3), see, *e.g.*, 291 I.C.C. at 290, 294, 297, 301, 310, 312. For subsidiary findings as to the comparative conditions affecting intrastate and interstate traffic (Fdg. 1), see *id.* at 287. For subsidiary findings as to the reasonableness of the newly prescribed rates, see, *e.g.*, *id.* at 291, 294, 297, 299, 302, 309, 312.

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Universal Camera case, stated that in determining whether the Commission's findings are supported by substantial evidence, "the record must be considered as a whole." The court further stated that it had "considered the entire record," comprising "nearly one thousand pages of testimony and a great number of exhibits," that it would serve "no useful purpose" for the court to review the evidence in its opinion, and that the record contains "a large volume of substantial evidence adduced by both sides." The weighing of this conflicting factual evidence was, as the district court correctly held, a "function which peculiarly addressed itself to the expertise of the Commission." See *New England Divisions Case*, 261 U. S. 184, 203-204.

We do not attempt to restate here the underlying evidence, since it is carefully detailed in the Commission's report. Moreover, it suffices, we believe, that the initial reviewing court, which has "primary responsibility" (see *National Labor Relations Board* v. *Pittsburgh S. S. Co.*, 340 U. S. 498, 502), has determined, after full consideration, that the essential findings are supported, and that there appear to be no special circumstances which would warrant a recanvassing of the record by a second reviewing court. See *New England Divisions Case*, *supra*, at 203-204; *Radio Corp.* v. *United States*, 341 U. S. 412, 415; cf. *United States* v. *Yellow Cab Co.*, 338 U. S. 338, 342.[2]

[2] Appellants also contend (Jurisdictional Statement, p. 13) that the Commission's previous refusal to grant an increase in Louisiana intrastate rates following an earlier general increase

CONCLUSION

For the foregoing reasons, we submit that the decision below is correct and that this appeal presents no substantial question. The judgment of the district court should accordingly be affirmed.

Respectfully submitted,

SIMON E. SOBELOFF,
Solicitor General.

EDWARD M. REIDY,
General Counsel,
Interstate Commerce Commission.

OCTOBER, 1954.

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in interstate rates (284 I.C.C. 467) forecloses it from granting the present increases. The present case, however, is not a continuation of any prior proceeding. The doctrines of *stare decisis* and *res judicata* do not govern Commission proceedings, and the Commission is always free to re-examine its prior finding in the light of changed conditions. *Arizona Grocery Co.* v. *Atchison, Topeka and Santa Fe Railway Co.*, 284 U.S. 370; *Beard-Laney, Inc.* v. *United States*, 83 F. Supp. 27 (E.D. S.C.), affirmed *per curiam*, 338 U.S. 803.

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SUPREME COURT OF THE UNITED STATES.

OCTOBER TERM 1954.

No. 351.

LOUISIANA PUBLIC SERVICE COMMISSION,
Appellant,

versus

UNITED STATES OF AMERICA

and the

INTERSTATE COMMERCE COMMISSION,
Appellees.

On Appeal from the United States District Court for the Eastern District of Louisiana.

MOTION TO AFFIRM.

Now come Arkansas and Louisiana Missouri Railway Company; Chicago, Rock Island and Pacific Railroad Company; Gulf, Colorado and Santa Fe Railway Company; Gulf, Mobile and Ohio Railroad Company; Illinois Central Railroad Company; The Kansas City Southern Railway Company; Louisiana and Arkansas Railway

Company; Louisiana Southern Railway Company; Louisville and Nashville Railroad Company; Guy A. Thompson, Trustee, Missouri Pacific Railroad Company, Debtor; Guy A. Thompson, Trustee, New Iberia & Northern Railroad Company, Debtor; New Orleans and Lower Coast Railroad Company; New Orleans and Northeastern Railroad Company; Guy A. Thompson Trustee, New Orleans, Texas & Mexico Railway Company, Debtor; St. Louis Southwestern Railway Company; Texas and New Orleans Railroad Company; The Texas and Pacific Railway Company; Tremont & Gulf Railway Company; New Orleans Terminal Company; and Texas Pacific-Missouri Pacific Terminal Railroad of New Orleans, intervening defendants and appellees, and, pursuant to Rule 16, Paragraph 1 (c), of the Revised Rules of the Supreme Court of the United States, move that the judgment and decree of the District Court be affirmed.

This is a direct appeal from a final judgment entered on 12 July 1954 by a specially constituted three-judge District Court pursuant to Sections 1336, 2284 and 2321-2325, Title 28 of the United States Code, dismissing the suit of the plaintiffs and intervening plaintiffs to annul, set aside and permanently enjoin enforcement of an order of the Interstate Commerce Commission dated 5 April 1954, entered pursuant to a report dated 5 January 1954, in proceedings under Docket No. 31163, *Louisiana Intrastate Freight Rates and Charges.* Notice of appeal was filed on 11 August 1954.

The question at issue is the validity of the order of the Commission of 5 April 1954 requiring the rail carriers

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to increase their freight rates and charges for Louisiana intrastate traffic to the same extent and in the same manner as they had increased them for interstate traffic to, from and through Louisiana, all as prescribed in its report of 5 January 1954. The report and order in question was issued under Sections 3, 13(4) and 15(a) of the Interstate Commerce Act and is reported at 291 I.C.C. 279.

The Interstate Commerce Commission, in its proceedings Ex Parte No. 168, *Increased Freight Rates 1948,* 272 I.C.C. 695, 276 I.C.C. 9, and Ex Parte No. 175, *Increased Freight Rates 1951,* 280 I.C.C. 179, 281 I.C.C. 557, 284 I.C.C. 589, found the rail carriers operating in southern and southwestern territories (including appellees, intervening defendants) to be in need of increased revenue and authorized increases in freight rates and charges of eight (8%) percent, effective 1 September 1949, and an additional fifteen (15%) percent, effective 28 August 1951, Appellees made application to the Louisiana Public Service Commission, the state regulatory body having jurisdiction, for authority to make corresponding increases in Louisiana intrastate freight rates and charges; this application was substantially denied by reason of the many and important exceptions to that body's permissive orders. Appellees thereupon petitioned the Interstate Commerce Commission to institute an investigation, under Sections 3, 13 and 15(a) of the Interstate Commerce Act, to determine whether the result was not undue discrimination against interstate commerce and/or advantage, preference and prejudice as between Louisiana intrastate shippers and those in interstate commerce.

Formal notice was given and a full hearing had in which all interested parties (and particularly appellants) participated; in due course there was issued a proposed report and, almost a year later, the report of 5 January 1954, with all parties being given full opportunity to protect their interests at all stages by briefs, exceptions, oral argument and petitions for reconsideration, rehearing, etc.

In its report of 5 January 1954, the Commission found that the failure of the Louisiana Commission to authorize increases in intrastate freight rates and charges in Louisiana corresponding to those authorized for interstate commerce to, from and through the State of Louisiana caused discrimination against interstate commerce and that such discrimination should be removed by increasing Louisiana intrastate rates the same percentage as corresponding interstate rates were increased. By order dated 5 April 1954, the Commission denied all of the petitions for rehearing, reargument, etc. and directed the rail carriers to increase their intrastate rates in Louisiana to the same extent and in the same manner that they had increased corresponding interstate rates.

The statute involved is the Interstate Commerce Act, but not only Sections 13(3) and (4) thereof as asserted by appellants (Jurisdictional Statement, p. 3). In particular, Section 15(a) is also involved, directing the Interstate Commerce Commission to give consideration in prescribing rates to a fair return to the carriers in the interest of an adequate and efficient railway transportation service at the lowest cost consistent with the furnishing of such

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service. This latter section is of course the basis for action by the Commission in cases of discrimination against interstate commerce generally, or so-called "revenue discrimination," in addition to and as distinguished from the specific discrimination covered by Sectons 13(3) and (4).

> ". . . .The new measure imposed an affirmative duty on the Interstate Commerce Commission to fix rates and to take other important steps to maintain an adequate railway service for the people of the United States. This is expressly declared in 15(a) to be one of the purposes of the bill." *Wisconsin RR Comm. v. C. B. & Q. R. Co.*, 257 U.S. 563, 585, 42 S. Ct. 232, 66 L. Ed. 371.

The three-judge District Court correctly stated the law governing the scope of judicial review of the Commission's order:

> "We take it to be settled law that an order of the Commission is entitled to finality, and may not be set aside, modified or disturbed on judicial review, if such order of the Commission lies within the scope of the Interstate Commerce Statute, and is based upon adequate findings that are supported by substantial evidence." (Appendix to Jurisdictional Statement, p. 27.)

It correctly concluded, from an application of this law to the particular controversy, that the Commission had the statutory authority to make the order in question, that the findings made by it in support of its conclusion were en-

tirely adequate and that these findings were based upon substantial evidence:

> "We hold that the order complained of has a rational basis in adequate findings which are supported by substantial evidence." (Appendix to Jurisdictional Statement, p. 30.)

Appellees submit that it is manifest that the questions on which disposition of this appeal depends are so unsubstantial as not to need further argument. It is submitted that the three-judge Court complied fully with the requisites for review prescribed by this Honorable Court and that there is no basis for appellants' assertion that there was a failure to apply the rules prescribed by or a misapplication of the findings of this Honorable Court in *King v. U. S.*, 344 U.S. 254, 73 S.Ct. 259, 97 L. Ed. 301 and/or *North Carolina v. United States*, 325 U.S. 507, 65 S.Ct. 1260, 89 L. Ed. 1760.

The rule laid down in *Universal Camera Corp. v. National Labor Relations Board*, 340 U.S. 474, 71 S. Ct. 456, 95 L. Ed. 456, is that the findings of an administrative agency are not to be set aside where they are:

> ". . .justified by a fair estimate of the worth of the testimony of witnesses or *its informed judgment on matters within its special competence* or both." (340 U.S. 474, at 490; Emphasis added.)

The contention that the three-judge Court failed to consider the record as a whole (Jurisdictional Statement, p. 20) is directly refuted by the Court's statement that:

> "We have considered the entire record, which comprises nearly one thousand pages of testimony and

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> a great number of exhibits . . . ." (Appendix to Jurisdictional Statement, p. 29.)

As to the justification for the Commission's conclusion, the Court said:

> "In reaching its conclusions it was necessary for the Commission to weigh the evidence. That was a function which peculiarly addressed itself to the expertise of the Commission." (Appendix to Jurisdictional Statement, p. 30.)

This is a precise application of your Honors' rule that an administrative Board's decision may be justified by "its informed judgment on matters within its special competence."

It is submitted that the issues to be determined and which were actually determined by the Commission from weighing the evidence were all addressed to its special competence and in the resolution of which it was necessary to exercise its informed judgment. As appears from the appellants' notice of appeal, they involved questions of earning a proper return from intrastate operations, whether the increases prescribed would result in substantial diversion so as to cause loss of revenue, whether the rates on the excepted commodities failed to produce their fair share of revenue and thereby caused a burden upon and unjustly discriminated against interstate commerce, and whether the revenues from Louisiana intrastate operations did not contribute their fair share of revenues required to enable the rail carriers to render adequate and efficient rail service (Jurisdictional State-

ment, pp. 12-15; Amended Jurisdictional Statement, pp. 2-5).

It is obvious that these questions were addressed to the special competence of the Interstate Commerce Commission and your Honors have repeatedly held that the Commission's exercise of its informed judgment in such matters is not subject to review:

> "In effect, we are asked to reexamine the evidence, appraise it, and hold the Commission erred in its judgment as to the facts. We have often said that we have no such power." *Ohio v. United States*, 292 U.S. 498, 506, 54 S. Ct. 792, 78 L. Ed. 1388.

> "The structure of a rate schedule calls in peculiar measure for the use of that enlightened judgment which the Commission by training and experience is qualified to form. . . . . It is not the province of a court to absorb this function to itself. . . . . The judicial function is exhausted when there is found to be a rational basis for the conclusions approved by the administrative body." *Mississippi Valley Barge Co. v. United States*, 292 U.S. 282, 286-87, 54 S. Ct. 692, 78 L. Ed. 1260.

> "The question of the weight of the evidence was for the Commission and not for the court. . . .In relation to such a discrimination, as in other matters, when the Commission exercises its authority upon due hearing, as prescribed, and without error in the application of rules of law, its findings of fact supported by substantial evidence are not subject to review. It is not the province of the courts to substitute their judgment for that of the Commission." *Florida v. United States*, 292 U.S. 1, 12, 54 S. Ct. 603, 78 L. Ed. 1077.

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"Whether or not the cost study was representative, whether the study should have been more refined, and whether it should have been supplemented as appellants desired, are questions of fact, the determination of which is within the competence of the Commission. The Commission reached its conclusion after full hearing and thorough consideration of all questions presented. As the record affords a sufficient basis for the Commission's determination, it is not subject to review in the courts." *Illinois Commerce Commission v. United States,* 292 U.S. 474, 481, 54 S. Ct. 783, 78 L. Ed. 1371.

More recently, your Honors have affirmed decisions of District Courts in which this rule has been precisely followed. *New York v. United States,* 98 F.Supp. 855, affirmed 342 U.S. 882, 911, 72 S. Ct. 152, 301, 96 L. Ed. 662, 681; *State of Illinois v. United States,* 101 F. Supp. 36, affirmed 342 U.S. 930, 72 S. Ct. 377, 96 L. Ed. 693; *Tennessee vs. United States,* 113 F. Supp. 634, affirmed 346 U.S. 891, 74 S. Ct. 222, 98 L. Ed. 148. Further, the issues presented by this appeal are so closely related to those presented and disposed of in *King v. United States, supra,* as not to warrant your consideration. As pointed out by the District Court, the Commission's findings in the two cases are "very similar" and there is no reasonable basis for the suggestion that "the lower court failed to give effect to your Honors' findings in *King v. U. S.,* 344 U.S. 254 and *North Carolina v. U. S.,* 325 U.S. 507," or misapplied them (Jurisdictional Statement, pp. 15, 20; Amended Jurisdictional Statement p. 5), since the District Court pointed out that

". . . The findings which the Court found adequate in the King case were made by the Commission in the instant case, so that the holding in the *North*

Carolina case is not applicable here." (Appendix to Jurisdictional Statement, p. 29.)

Appellees therefore submit that this appeal involves no substantial questions, as it is clear that the Interstate Commerce Commission made and was warranted in making all of the findings requisite to validity of its order, that, in its review, the lower court followed the rules prescribed by your Honors for review of decisions of administrative agencies, and that the lower court reached its conclusion upon a consideration of the record as a whole.

It is respectfully submitted that the judgment and decree of the three-judge District Court should be affirmed.

HARRY McCALL,

(SGD.) HARRY McCALL
Attorney for Rail Carrier Appellees,
1500 National Bank of Commerce Bldg.,
New Orleans 12, La.

William E. Davis,
A. J. Dixon,
J. Barnwell Phelps,
Harold E. Spencer,
Y. D. Lott,
Harry McCall, Jr.,
Robert H. Stahlheber,
Robert Thompson,
Of Counsel.

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CERTIFICATE OF SERVICE.

I, Harry McCall, one of the attorneys for the rail carriers appellees herein, and a member of the Bar of the Supreme Court of the United States, hereby certify that on the ... day of October, 1954, I served copies of the foregoing Motion to Affirm on the several parties thereto as follows:

1. On the State of Louisiana and intervening plaintiffs by mailing copies, duly addressed envelopes, with first-class postage prepaid, to their respective attorneys as follows:

Robert A. Ainsworth, Jr., Attorney for the
Louisiana Public Service Commission,
1650 National Bank of Commerce Building,
New Orleans 12, Louisiana,

Fred S. LeBlanc, Attorney General,
State of Louisiana,
State Capitol,
Baton Rouge, Louisiana,

W. Crosby Pegues, Jr., General Counsel,
Department of Highways,
State of Louisiana,
State Capitol,
Baton Rouge, Louisiana,

Paul G. Borron, Jr., Attorney for the
American Sugar Cane League of the U.S.A., Inc.,
Plaquemine, Louisiana,

Louis A. Schwartz, Attorney for the
New Orleans Traffic and Transportation Bureau
and American Turpentine & Tar Company,
611 Gravier Street,
New Orleans, Louisiana.

2. On the United States of America by mailing copies in duly addressed envelopes to George R. Blue, Attorney for the Eastern District of Louisiana, first-class postage prepaid, and to the Solicitor General, Department of Justice, Washington 25, D. C., air mail postage prepaid.

3. On the Interstate Commerce Commission by mailing a copy in a duly addressed envelope to Edward M. Reidy, its General Counsel, at the offices of the Commission, Washington 25, D. C.

(SGD.) **HARRY McCALL**

Attorney for Rail Carriers,
1500 National Bank of
Commerce Building,
New Orleans 12, Louisiana.

DEC 16 1954

No. 351

LOUISIANA PUBLIC SERVICE COMMISSION,
Appellant,

versus

UNITED STATES OF AMERICA and the INTERSTATE COMMERCE COMMISSION,
Appellees.

On Appeal from the United States District Court for the Eastern District of Louisiana.

PETITION FOR REHEARING.

FRED S. LeBLANC,
Attorney General, State of Louisiana;
JOEL E. DICKINSON,
Assistant Attorney General,
State of Louisiana;
ROBERT A. AINSWORTH, JR.,
Attorney for Louisiana Public Service Commission, Appellant;
W. CROSBY PEGUES, JR.,
For the Department of Highways, State of Louisiana, Intervening Plaintiff;
PAUL G. BORBON, JR.,
For American Sugar Cane League of the U. S. A., Inc., Intervening Plaintiff;
LOUIS A. SCHWARTZ,
For New Orleans Traffic and Transportation Bureau and American Turpentine and Tar Company, Intervening Plaintiffs, and American Sugar Cane League of the U.S.A., Inc., Intervening Plaintiff.

ROBERT A. AINSWORTH, JR.,
1650 National Bank of Commerce Building,
New Orleans, Louisiana,
Of Counsel for Appellant.

Publishers, 109 Chartres St., N. O., La.

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IN THE

SUPREME COURT OF THE UNITED STATES

OCTOBER TERM, 1954

No. 351

LOUISIANA PUBLIC SERVICE COMMISSION,
Appellant,

versus

UNITED STATES OF AMERICA and the
INTERSTATE COMMERCE COMMISSION,
Appellees.

On Appeal from the United States District Court for the Eastern District of Louisiana.

PETITION FOR REHEARING.

Appellants, Louisiana Public Service Commission; Department of Highways, State of Louisiana; New Orleans Traffic and Transportation Bureau; American Turpentine and Tar Company, and American Sugar Cane League of the U. S. A., Inc., pursuant to Rule 58 of the Revised Rules of this Court, herewith petition the Court for a rehearing of the judgment and decision in this matter rendered on November 22, 1954.

STATEMENT.

This suit was filed by the Louisiana Public Service Commission[1] which is an official agency of the State of Louisiana created by the Louisiana Constitution. The Louisiana Commission sought to enjoin, annul and set aside the report and order of the Interstate Commerce Commission issued in Interstate Commerce Commission Docket No. 31,163 entitled, "Louisiana Intrastate Freight Rates and Charges."

The Interstate Commerce Commission's report and order which are issued pursuant to the Interstate Commerce Act, particularly Sections 13 (3) and (4) of Part I thereof, held that certain freight rates and charges for Louisiana intrastate traffic violate the applicable sections of the Interstate Commerce Act and cause undue or unreasonable advantage or preference as between persons or localities in intrastate commerce and those in interstate commerce, and further cause undue or unreasonable discrimination against interstate commerce.

The Interstate Commerce Commission decision in this matter was a split decision and reflected only the majority opinion. Commissioner Freas dissented from the entire report. Commissioner Clark dissented in part, particularly to the extent that he could not agree that increased rates should be prescribed on sugar and sugar cane, and was joined in this dissent by Commissioners Alldredge and Knudson.

---

(1) By and under the provisions of Title 28, U. S. C. A., Sections 1336, 1398, 2284, 2321-25; Title 49, U. S. C. A., Sections 17(9), and Title 5, U. S. C. A., Sections 1001-1009.

The Louisiana Commission exhausted all of its remedies before the Interstate Commerce Commission, its final application for rehearing having been denied. Accordingly the Louisiana Commission filed this suit against the Interstate Commerce Commission. Trial of the case in the lower court was held before a three-judge federal district court on June 5, 1954, and on July 12, 1954 the suit was dismissed.

Thereafter, appellants appealed. Notice of appeal and jurisdictional statement as amended were filed by appellants. Motions to affirm were then filed by appellees. Reply to motions to affirm were filed by appellants, and on November 22. 1954 this Court rendered the following order:

> "PER CURIAM: The motions to affirm are granted and the judgment is affirmed."

STATEMENT OF GROUNDS WHY THIS PETITION FOR REHEARING SHOULD BE GRANTED.

1.

Appellants are accorded by law a direct appeal from this Court from the judgment and decree of the three-judge federal district court below.

See *28 U. S. Code, Sections 1253 and 2101 (b).*

2.

Appellants have presented for review on appeal in this case a matter which requires plenary consideration, with briefs on the merits and oral argument for its resolution.

See Revised Rules of Practice, Rule 15.1 (e).

ARGUMENT.

There is no question that the Act of Congress authorizes appeals direct to the Supreme Court in matters of this kind which are heard and determined by a federal district court of three judges.

The only question which remains is whether or not under the rule-making power of this Court by which Rule 15 was adopted, and particularly Rule 16 under which the Court has set up a procedure for dismissing appeals, the judgment of the lower court should be affirmed without briefs or oral argument.

The official agencies of the State of Louisiana, namely the plaintiff, Louisiana Public Service Commission, and intervenor, Department of Highways, State of Louisiana, as well as other appellants, are disappointed at the action of the Court in this case and particularly at its refusal to permit the matter to be briefed and oral argument presented.

That the case is an important one to the sovereign State of Louisiana is indicated by the fact that it is brought here by the official freight rate-making agency of Louisiana, the Louisiana Public Service Commission, and concurred in by Louisiana's own official Department of Highways. The importance of the case is further demonstrated by the fact that if the judgment is finally affirmed, Louisiana will have lost jurisdiction over some of the most important freight commodities moving in Louisiana intrastate traffic insofar as the freight rate increases of the Interstate Commerce Commission in Ex Parte 168 and Ex Parte 175 are concerned. These commodities are:

Asphalt, 15%; Asphalt-coated rock, sand and gravel, 8% plus 15%; Bagasse, 15%; Brick, common building or face, hollow building tile, 15% (plus 8% if moving east of the Mississippi River); Cement, 15%; Clay and shale cinders, 9%; Cottonseed, cottonseed cake, meal and hulls, 15% (plus 8% if moving east of the Mississippi River); Cottonseed bran, 8% plus 15%; Molasses, 9%; Petroleum products, 9%; Sand, gravel and related commodities, 8% plus 12%; Soybeans, soybean cake and meal, 15% (plus 8% if moving east of the Mississippi River); Sugar, raw and refined, and sugarcane, 8% plus 15%; Sulphur and sulphuric acid, 9%; Tarwood or waste wood 15%.

The Trial Examiner of the Interstate Commerce Commission found that the increase in rates and charges to be paid by Louisiana shippers for Louisiana intrastate freight traffic would be $1,900,000 annually. When the Interstate Commerce Commission affirmed its Examiner it held that the increase would amount to $1,700,000 annually.

The Attorney General of this State, the General Counsel of the Louisiana Department of Highways, and other counsel on whose behalf this petition is filed, believe and sincerely urge that this is a substantial question, not only in dollar amount, which should not be the only criterion, but also in the effect it will have in the future on the rates and charges to be paid in later years on these commodities. Additionally, however, is involved the important question of state sovereignty and the right of Louisiana to regulate its own internal affairs without interference by federal agencies.

The State of Louisiana appeals to this Court to grant it an opportunity by briefs and oral argument to have the matter reviewed properly and not through the per curiam method. All of us are cognizant of Section 13 of the Interstate Commerce Commission, Part I, and know the importance of a national transportation system to all the people of this nation. But it has not been demonstrated by competent evidence in this case, nor has there been a proper judicial review under the principles of *Universal Camera Corporation v. National Labor Relations Board, 340 U. S. 474, 71 Sup. Ct. 456*, which would justify the imposition of the Interstate Commerce Commission order on the intrastate freight payers of Louisiana. The state commissions of many states, including Louisiana, view with a great deal of alarm the usurpation of authority by the Interstate Commerce Commission under the so-called 13th Section procedure of the Interstate Commerce Act, Part I. Louisiana takes particular exception to the Interstate Commerce Commission decision in this case because it is an apparent reversal within a very short period of time by the Interstate Commerce Commission of its own holdings in the previous 13th Section case involving Louisiana which was decided only 10 months before the institution of these proceedings.[2]

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(2) See 284 I. C. C. 467, where the Louisiana Public Service Commission was upheld on the following commodities: Brick, common building or face, and hollow building tile in Louisiana east of the Mississippi River; cattle-feed, consisting of not less than 65% of cottonseed meal and cottonseed hulls or soybean meal, in carloads; cottonseed and cottonseed cake, meal, and hulls in Louisiana east of the Mississippi River; soybeans and soybean cake or meal, in carloads in Louisiana east of the Mississippi River; sand, gravel and related commodities, including asphalt-coated rock and gravel; sugar, raw and refined, and sugarcane.

Louisiana is also aggrieved by the fact that there has never been published a written analysis of the evidence, either by the three-judge court below, or this court. The court below said it had reviewed the entire record, but it is apparent the review was not very thorough because all that was said in the opinion below on the subject is copied herewith as follows:

> "We have considered the entire record which comprises nearly 1,000 pages of testimony and a great number of exhibits. **In the belief that no useful purpose would be served by our reviewing the record here we shall not do so."** (Emphasis ours).

In the per curiam of this Court, we are told only that the judgment is affirmed and there is no review of the evidence.

We are conscious of the tremendous burden which this Court has and the great volume of litigation which is presented to it for review. Nevertheless, it is our belief that the State of Louisiana, appealing through its official agencies and presenting a matter of great importance such as this, is entitled to have the case determined by the entire Court after briefs and oral argument.

Mississippi has fared better than Louisiana in its 13th Section case. Involving substantially the same issues and having been heard about the same time, the three-judge federal district court below, by a 2 to 1 decision, enjoined the Interstate Commerce Commission from its attempt to interfere with and usurp the fixing of Mississippi intrastate freight rates. We attached the opinion of the Mississippi Federal District Court to our reply to

motions to affirm (page 27, et seq.). Louisiana, praying for relief, meets with much frustration its adjacent neighbor, Mississippi, which has secured relief and cannot possibly lose it without having an opportunity to present oral argument to this Court. If on appeal of the Mississippi case the motion to affirm of Mississippi is granted, that state has permanent relief from the Interstate Commerce Commission's actions. If its motion to affirm is denied, the matter is then set down for oral argument. It is our understanding of the revised rules that the lower court decision may not be reversed in such matters without plenary consideration with briefs on the merits and oral argument. So it is not only possible but very probable that Mississippi will win its case and Louisiana lose its case under these peculiar and unique circumstances involving identical issues.

This is true despite the fact that both Louisiana and Mississippi's cases are 13th Section proceedings involving the Ex Parte 168 and Ex Parte 175 rate increases, brought by the Interstate Commerce Commission against the Mississippi Public Service Commission and the Louisiana Public Service Commission and involve rates on many of the identical commodities.(3)

The Court may well imagine how the people of Louisiana feel with Mississippi obtaining injunctive relief against the Interstate Commerce Commission and having

(3) The identical commodities in both the Louisiana and Mississippi cases are: Cottonseed, soy beans, fertilizer, pulpwood, sand and gravel, cement, brick and petroleum.

its case fully heard with plenary consideration, whereas Louisiana has been brushed aside by the district court below in an opinion which did not even analyze the evidence and has finally lost its right of review here by the short per curiam opinion affirming the judgment unless a rehearing is granted herein.

The Court should decide what the limitations are on the right of the Interstate Commerce Commission under the so-called 13th Section proceedings to invade a sovereign state and take away from it its right to fix intrastate freight rates on traffic moving solely to and from points within the State. The Louisiana Commission and its members personally heard the evidence in this case, and personally handed down their opinion fixing the rates and charges. The Interstate Commerce Commission heard no witnesses but sent an examiner to Louisiana who attempted to understand in a three-day hearing the broad questions affecting Louisiana, particularly those relative to the future diversion of traffic from railroads to highway transportation and water transportation which would result from the imposition of those increased rates. The railroads did not bear the burden of proof as they were required to do, and the Interstate Commerce Commission reversed its former position decided only 10 months before the institution of the second proceeding and took over jurisdiction of Louisiana intrastate freight rates on the involved and excepted commodities.

It is a serious matter for a federal agency, such as the Interstate Commerce Commission to take over jurisdiction of local matters which peculiarly belong to an agency

of the State of Louisiana. We do not imply by this statement that the Interstate Commerce Commission has no authority by Section 13 to inquire into the validity of Louisiana intrastate freight rates. But there must be some proper limitation of its authority to come into Louisiana through its examiner and reverse the action of Louisiana's own official rate-making agency, the Louisiana Public Service Commission.

This Court has said in *North Carolina v. United States, 325 U. S. 507, 65 Sup. Ct. 1260*, that there must be a "scrupulous regard" for maintaining the power of the State; that the Interstate Commerce Commission's orders taking over jurisdiction of states' rates must meet "a high standard of certainty"; that before the Interstate Commerce Commission can nullify a state rate, justification for the "exercise of the federal power must clearly appeal." Having this in mind, we cannot understand how this Court in a per curiam opinion could affirm the opinion below and not wish to have presented to it, in a matter so important, briefs on the merits, oral argument and consideration by the entire court of the issues involved. The Court must know of the increased resentment of state commissions and of the states themselves at the invasion by the Interstate Commerce Commission of the rights of the states under the alleged 18th Section authority. **There must be a limitation, a brake placed upon the Interstate Commerce Commission, otherwise the authority of the state commissions will eventually disappear. Only this Court can protect the states, only this Court can find the suitable and proper limitations on the Interstate Commerce Commission.**

The language of the 13th Section is so broad and so general that the Court can only determine after consideration of all of the facts and circumstances whether the federal commission had a right to exercise the authority which it did.

It is not believed possible under the motion-to-affirm procedure for this Court adequately to understand the havoc which is being wrought by the affirming of a decision of this kind. Nor is it possible for the Court to fully comprehend the discriminatory effect that will result from Louisiana losing its case and Mississippi, its neighbor, most probably winning its case.

Louisiana appeals to the Court to grant a rehearing to permit briefing on the merits and to authorize oral argument. If this is done Louisiana will be satisfied that due process of law has been fully afforded. It is confident that a presentation of its case before the entire Court will cause a reversal of the opinion below and an affirmance of the right of Louisiana to determine its local affairs, particularly its right to fix local freight rates and charges where it does not appear from the evidence that there is any discrimination against interstate commerce.

CONCLUSION.

It is respectfully, sincerely and earnestly requested that a rehearing herein be granted, that briefs on the merits and oral argument be authorized and that plenary consideration of this Court be given to the questions in-

volved in this case before its ultimate and final determination.

Respectfully submitted,

FRED S. LeBLANC,
Attorney General, State of Louisiana;
JOEL B. DICKINSON,
Assistant Attorney General,
State of Louisiana;
ROBERT A. AINSWORTH, JR.,
Attorney for Louisiana Public Service Commission, Appellant;
W. CROSBY PEGUES, JR.,
For the Department of Highways, State of Louisiana, Intervening Plaintiff;
PAUL G. BORRON, JR.,
For American Sugar Cane League of the U. S. A., Inc., Intervening Plaintiff;
LOUIS A. SCHWARTZ,
For New Orleans Traffic and Transportation Bureau and American Turpentine and Tar Company, Intervening Plaintiffs, and American Sugar Cane League of the U.S.A., Inc., Intervening Plaintiff.

By:.....
ROBERT A. AINSWORTH, JR.,
1650 National Bank of Commerce Bldg.,
New Orleans, Louisiana,
Attorney.

CERTIFICATE.

I hereby certify that the above petition for rehearing is presented in good faith and not for delay.

.....
ROBERT A. AINSWORTH, JR.,
Counsel for Appellants.

CERTIFICATE OF SERVICE.

I hereby certify that a copy hereof has been duly served on all parties of record in the manner and form required by the rules of this court.

.....

ROBERT A. AINSWORTH, JR.,
Counsel for Appellants.

NOVEMBER 22, 1954.

Decisions Per Curiam.

No. 351. LOUISIANA PUBLIC SERVICE COMMISSION ET AL. *v.* UNITED STATES ET AL. Appeal from the United States District Court for the Eastern District of Louisiana. *Per Curiam:* The motions to affirm are granted and the judgment is affirmed. *Fred S. LeBlanc*, Attorney General of Louisiana, *Joel B. Dickinson*, Assistant Attorney General, and *Robert A. Ainsworth, Jr.* for the Louisiana Public Service Commission, and *Louis A. Schwartz* for the New Orleans Traffic & Transportation Bureau et al., appellants. *Solicitor General Sobeloff* and *Edward M. Reidy* for the United States and the Interstate Commerce Commission; and *Harry McCall, William E. Davis, A. J. Dixon, Harold E. Spencer* and *Y. D. Lott* for the Arkansas & Louisiana Railway Co. et al., appellees. Reported below: 125 F. Supp. 180.

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